

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Missouri-American Water                    )  
Company for Authority to Issue up to                        )  
\$11,500,000 of Long-Term Debt and to                        )  
Secure Same with a Mortgage on its Property                )  
**File No. WF-2022-0066**

**STAFF RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission (“Staff”), through counsel, and files its *Staff Recommendation* and attached Memorandum, recommending that the Missouri Public Service Commission (“Commission”) approve Missouri-American Water Company’s (“MAWC”) *Application and Motion for Waiver* (“Application”), with conditions. In support of Staff’s Memorandum, Staff states as follows:

**Procedural History**

1. On September 1, 2021, MAWC filed its Application pursuant to §§393.190 and 393.200 RSMo., and Commission Rules 20 CSR 4240-2.060, 20 CSR 4240-2.080, and 20 CSR 4240-10.125.
2. Also on September 1, 2021, the Commission issued an order directing Staff to file no later than September 10, 2021, a pleading specifying the date certain it would file its recommendation regarding MAWC’s Application.
3. Staff filed a pleading on September 10, 2021, in which Staff stated it expected to file its recommendation no later than October 28, 2021, but, should it complete its review prior to that date, it would submit its recommendation as soon as it is able.

### **MAWC's Application**

7. MAWC proposes to issue 20-year Long-term Mortgage Secured Debt from the Missouri Department of Natural Resources ("DNR"), in cooperation with the Safe Drinking Water Commission ("SDWC") of the State of Missouri, in an amount up to \$11,500,000. The proposed debt will bear interest at a rate that is equal to 30% of the Revenue Bond Index published in The Bond Buyer's most recent date prior to the date of closing of the loan, plus a 0.5% administration fee.

8. MAWC states that the proceeds will be used for: "[I]mprovements to certain drinking water treatment facilities. More specifically, the proceeds of the loan will be used to replace and upgrade a clear well and high service pump station and make related improvements, as more specifically described in the definition of the "Project" in Article 1 of the Loan Agreement. Thus, the net proceeds from the loan will be used for the acquisition of property; the construction, completion, extension or improvement of Applicant's plant or system; the improvement or maintenance of its service; or the reimbursement of moneys actually expended from income as permitted by §393.200 RSMo. 2016."<sup>1</sup>

### **Staff's Recommendation**

9. Staff has reviewed MAWC's Application, conducted discovery, and had discussions with MAWC personnel. Based on Staff's review and investigation, Staff recommends the Commission approve MAWC's Application as not detrimental to the public interest, subject to the seven proposed conditions in its attached Memorandum:

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<sup>1</sup> See MAWC's *Application and Motion for Waiver*, page 4, para. 15.

1. That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, and that the Commission reserve the right to consider the rate making treatment to be afforded the financing transaction and its impact on cost of capital, in any later rate proceeding;
2. That the Company shall file with the Commission within ten (10) days of issuance of any financing authorized pursuant to a Commission order in this proceeding, a report including the amount of secured indebtedness issued, date of issuance, interest rate (initial rate if variable), maturity date, redemption schedules or special terms, if any, use of proceeds, estimated expenses, and loan or indenture agreement concerning each issuance. In addition, the Company shall also provide the analysis, to include but not be limited to, indicative pricing information provided by investment banks it performed to determine that the terms for the debt it decided to issue were the most reasonable at the time;
3. That the Company shall file with the Commission any information concerning communication with credit rating agencies concerning any such issuance;
4. That the Company shall file with the Commission as a non-case related submission in EFIS under "Resources" - "Non-Case Related Query" - "Ordered Submission" any credit rating agency reports published on MAWC's or AWWC's corporate credit quality or the credit quality of its securities;
5. That MAWC be required to file a five-year capitalization expenditure schedule in future finance cases;
6. That MAWC be required to file in future finance cases whereby the use of proceeds includes the repayment of short-term debt which cannot be linked to the repayment of long-term debt, a schedule that reconciles short-term debt incurred for purposes of long-term capital projects specifically and individually disclosed in quarterly and annual filings with the Securities and Exchange Commission. For those capital expenditures not categorized in Securities and Exchange Commission filings, MAWC shall provide an aggregate sum of the miscellaneous expenditures; and,
7. That the Commission's grant of authority shall expire one year from the effective date of the order in this proceeding.

**Motion for Waiver**

10. As part of its Application, MAWC, for good cause show, moves for a waiver of the 60-day notice requirement of Rule 20 CSR 4240-4.017(1). Staff does not oppose MAWC's waiver request.

**WHEREFORE**, Staff recommends the Commission authorize MAWC's Application with Staff's recommended conditions.

Respectfully submitted,

**/s/ Mark Johnson**

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**Attorney for the Staff of the  
Missouri Public Service Commission**

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile, or electronically mailed to all parties and or counsel of record on this 28th day of October, 2021.

**/s/ Mark Johnson**