

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 4th day of
April, 2006.

In the Matter of Missouri-American Water Company's)	
Application for Authority to Issue up to \$57,490,000)	
in Aggregate Principal Amount of Its General)	<u>Case No. WF-2006-0331</u>
Mortgage Bonds in Conjunction with the Refunding)	
of Outstanding Issues of Tax Exempt Bonds)	

ORDER GRANTING FINANCING APPLICATION

Issue Date: April 4, 2006

Effective Date: April 14, 2006

On February 17, 2006, Missouri-American Water Company filed its Application asking the Commission for authority to issue general mortgage bonds in an aggregate principal amount of up to \$57,490,000, for the purpose of discharging or refunding existing indebtedness.

Missouri-American seeks authority to enter into an arrangement with the State Environmental Improvement and Energy Resources Authority (EI ERA) whereby EI ERA would issue tax-exempt revenue bonds and loan the proceeds to Missouri-American for qualifying projects. Missouri-American would issue General Mortgage Bonds to secure its obligations on the EI ERA revenue bonds.

Missouri-American currently has outstanding five series of EI ERA bonds totaling \$57,490,000. Missouri-American asks for authority to issue one or more new series of EI ERA bonds to refinance some or all of those existing EI ERA bonds at a lower interest

rate. It will refinance those bonds only if doing so will result in a net interest cost savings on a net present value basis.

On March 24, the Commission's Staff filed a Recommendation and Memorandum regarding Missouri-American's Application. Staff recommends that the Commission approve the Application subject to three routine conditions. On March 27, Missouri-American filed a pleading indicating that it does not object to the conditions proposed by Staff.

Based on Missouri-American's Application and the Recommendation and Memorandum of Staff, the Commission concludes that the Application should be granted. The Commission will require Missouri-American to comply with the conditions requested by Staff.

As required by Section 393.200, RSMo 2000, the Commission finds that the money, property or labor to be procured or paid for by the issuance of the bonds proposed in Missouri-American's Application is or will be reasonably required for the purposes specified in the Application and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

IT IS ORDERED THAT:

1. Missouri-American Water Company's Application is granted.
2. Missouri-American Water Company is authorized to create one or more series of its General Mortgage Bonds under its Indenture of Mortgage to First Union National Bank (formerly the Fidelity Bank) and UMB Bank and Trust, N.A. (formerly Mercantile Bank of Western Missouri, Successor to William B. Ebert) as Trustee, dated June 14, 1968, as amended and supplemented, including by the First through the Seventeenth Supplemental

Indentures and to be amended and supplemented, including by a Supplemental Indenture for each new series of General Mortgage Bonds, each such series to be issued at such time, or from time to time, to be of such aggregate principal amount as shall be determined by Missouri-American, provided the aggregate principal amount of all such series shall not exceed \$57,490,000, bearing interest, including any applicable discount, at a rate not greater than two percentage points over the Bond Buyer Revenue Bond Index as published in The Bond Buyer on the day prior to the date on which the terms and conditions of the bonds are determined having maturity of not more than thirty (30) years, and having such designation and other redemption and sinking fund provisions, if any, and other terms and provisions as shall be determined by Missouri-American, all to be set forth in the Supplemental Indenture relating to such series of bonds, as to be executed, and as to be set forth in Appendices 1 a through x (as applicable).

3. Missouri-American Water Company is authorized to deliver each such series of its General Mortgage Bonds to the Trustee under the applicable EIERA Bond Indenture in accordance with the terms of a loan agreement or agreements between Missouri-American and the State Environmental Improvement and Energy Resources Authority to secure tax-exempt revenue bonds for Missouri-American's qualifying projects under the Act.

4. Missouri-American Water Company is authorized to execute and deliver to the First Union National Bank (formerly the Fidelity Bank), and UMB Bank and Trust, N.A. (formerly Mercantile Bank of Western Missouri, successor to William B. Ebert) as Trustees, a Supplemental Indenture with respect to each such series of General Mortgage Bonds, each to be dated on or prior to the date of the initial issuance of any General Mortgage

Bonds of the series of General Mortgage Bonds to which such Supplemental Indenture relates, supplemental to the Indenture of Mortgage dated June 14, 1968.

5. Missouri-American Water Company is authorized to create and make effective the lien of the Indenture of Mortgage, dated as of May 1, 1968, as amended and supplemented, and as to be amended and supplemented, including by a Supplemental Indenture for each new series of General Mortgage Bonds, on the property of Missouri-American in the state of Missouri to secure each new series of General Mortgage Bonds, provided that the aggregate principal amount thereof shall not exceed \$57,490,000.

6. Missouri-American Water Company is authorized to amortize any premium or discount expenses incident to the issuance of General Mortgage Bonds over the life or lives thereof.

7. Missouri-American Water Company is authorized to enter into, execute, deliver and perform the necessary arrangements or other documents necessary to effectuate the transactions herein above described.

8. Missouri-American Water Company is authorized to take such other actions as may be reasonably necessary to complete the subject transactions.

9. The proceeds from the issuance and sale of bonded indebtedness shall be used by Missouri-American Water Company for the purposes herein above described.

10. The Commission's approval of this Application is conditioned upon Missouri-American Water Company's compliance with the following conditions:

A. Nothing in this order shall be considered a finding by the Commission of the value of these transactions for ratemaking purposes. The Commission reserves

the right to consider the ratemaking treatment to be afforded these financing transactions, and their results in cost of capital, in any later proceeding.

B. Missouri-American Water Company shall file with the Commission all final terms and conditions of the proposed financing, including, but not limited to, the aggregate principal amount to be sold or borrowed, price information, estimated expenses, and loan or indenture agreement concerning each issuance.

C. Missouri-American Water Company shall file with the Commission, upon refunding of any outstanding debt, the net present value calculations indicating the amount of interest cost savings.

11. This order shall become effective on April 14, 2006.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a horizontal line.

Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Gaw, Clayton and Appling, CC., concur
Murray, C., absent

Woodruff, Deputy Chief Regulatory Law Judge