

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 8th day of
December, 2021.

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

ORDER APPROVING FINANCE AUTHORITY

Issue Date: December 8, 2021

Effective Date: January 7, 2022

On September 1, 2021, Missouri-American Water Company (MAWC) filed an *Application and Motion for Waiver*, requesting authority to borrow up to \$11,500,000 from the Missouri Department of Natural Resources through the State of Missouri Direct Loan Program¹. The proposed 20-year long-term mortgage-secured debt will bear interest at a fixed rate that is equal to 30% of the Revenue Bond Index as published in *The Bond Buyer* most recently prior to the date of closing of the loan, plus a 0.5% administration fee.

MAWC states that the loan proceeds will be used for:

improvements 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

¹ Application and Motion for Waiver, p. 3, para. 12, states:

The Missouri Department of Natural Resources, in cooperation with the Safe Drinking Water Commission of the State of Missouri, has developed and implemented the State of Missouri Direct Loan Program for the purpose of making loans and grants to political subdivisions and other eligible entities of the State of Missouri. In this case, the Safe Drinking Water Commission has approved a loan in the maximum principal amount of \$11,500,000 to Applicant to be made by the Missouri Department of Natural Resources pursuant to a Loan Agreement[.]

the acquisition of property; the construction, completion, extension or improvement of [MAWC]'s plant or system; the improvement of maintenance of its service; or the reimbursement of moneys actually expended from income as permitted by §393.200 RSMo. 2016.²

In addition, MAWC requested waiver of the 60-day notice requirement of Commission Rule 20 CSR 4240-4.017.

On October 28, 2021, the Staff of the Commission (Staff) filed its recommendation, with certain conditions, that the Commission approve MAWC's application for authority to issue secured debt. On November 23, 2021, Staff filed an amended recommendation, with revised conditions, that the Commission approve MAWC's application for authority to issue debt securities. Staff stated the proposed debt will bear an interest rate lower than interest rates for debts issued by American Water Capital Corporation on May 14, 2021, and much lower than MAWC's embedded cost of debt of around 4.8% reported in MAWC's most recent rate cases. Staff also verified that MAWC's projected capital expenditure plan supports the need for the \$11.5 million long-term debt. On November 24, 2021, MAWC filed a response to Staff's amended recommendation in which it stated that it did not object to Staff's recommended conditions.

Section 393.200, RSMo, and Commission Rule 20 CSR 4240-10.125 require MAWC to obtain the Commission's authority to issue debt securities. Sections 393.180 and 393.200, RSMo, authorize public utilities to issue long-term financing when necessary for the purposes enumerated in the statute.³ If the utility's request falls within

² Application and Motion for Waiver, p. 4, para. 15.

³ Section 393.180, RSMo 2016, states:

The power of gas corporations, electrical corporations, water corporations, or sewer corporations to issue stocks, bonds, notes and other evidences of indebtedness and to create liens upon their property situated in this state is a special privilege, the right of supervision, regulation, restriction and control of which is and shall continue to be vested in the state, and such power shall be exercised as provided by law and under such rules and regulations as the commission may prescribe.

the enumerated purposes and is necessary or reasonably required, the Commission may grant the request.⁴

After review of MAWC's application and of Staff's recommendations, the Commission concludes that granting MAWC's request accords with MAWC's stated purposes, that the issuance of the debt securities proposed in the application is or will be reasonably required for those stated purposes, and that such purposes are not in whole, or in part, reasonably chargeable to operating expenses or to income. Accordingly, the Commission finds that the request satisfies Section 393.200, RSMo. MAWC's application for authority to issue debt securities will be granted, subject to Staff recommendations.

MAWC requested waiver of the Commission's 60-day notice requirement under 20 CSR 4240-4.017. MAWC's request for waiver of the 60-day notice requirement was unopposed. The Commission finds good cause exists to waive the 60-day notice requirement based on MAWC's verified declaration that it had no communication with the Commission regarding substantive issues likely to arise in this file within 150 days before filing its application.

THE COMMISSION ORDERS THAT:

1. The 60-day notice of case filing requirement of Commission Rule 20 CSR 4240-4.017(1) is waived.
2. MAWC is authorized to issue long-term debt with a 20-year term, secured by a mortgage, lien or encumbrance, bearing an annual interest rate that is equal to 30% of the Revenue Bond Index as published in *The Bond Buyer* most recently prior to the date of closing of the loan, plus a 0.5% administration fee, to the Missouri Department of

⁴ *In re Laclede Gas Co.v. Mo. Pub. Serv. Com'n.* 526 S.W.3d 245 (Mo. App. 2017).

Natural Resources in an amount not to exceed \$11,500,000. The proceeds of the loan shall be used to make improvements to drinking water facilities. Specifically, the loan shall 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.

3. MAWC’s application filed on September 1, 2021, is granted subject to the following conditions:

- A. Nothing in this Order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, and the Commission reserves the right to consider the rate making treatment to be afforded to the financing transaction and its impact on cost of capital in a later rate proceeding;
- B. MAWC shall file with the Commission, within 30 days of issuance of any financing authorized pursuant to this Order, a report which includes: 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, MAWC shall also provide the analysis it performed to determine that the terms for the debt it decided to issue were the most reasonable at the time, including, but not limited to, indicative pricing information provided by investment banks;

- C. MAWC shall file with the Commission information concerning communication with credit rating agencies concerning any issuance of financing authorized pursuant to this Order;
 - D. MAWC 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 American Water Works, Inc.’s corporate credit quality or the credit quality of its securities;
 - E. MAWC shall file a five-year capitalization expenditure schedule in future finance cases; and
 - F. The Commission’s grant of authority shall expire one year from the effective date of this Order.
4. MAWC is authorized to execute all documents and take all actions necessary for the above-described transactions.
5. This order shall become effective on January 7, 2022.



BY THE COMMISSION

A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

Silvey, Chm., Rupp, Coleman, Holsman, and
Kolkmeier CC., concur.

Seyer, Regulatory Law Judge


STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 8th day of December, 2021.




Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

December 8, 2021

File/Case No. WF-2022-0066

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Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).

Sincerely,



**Morris L. Woodruff
Secretary**

Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.