

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held at its office in Jefferson City on the 13th day of February, 2013.

In the Matter of Lake Region Water and Sewer Co. for Authority to Borrow Up to \$2,000,000 in Long-Term, Secured Debt)) File No. WF-2013-0118)

**ORDER APPROVING APPLICATION
TO BORROW LONG-TERM, SECURED DEBT**

Issue Date: February 13, 2013

Effective Date: February 23, 2013

Background

On September 26, 2012, Lake Region Water and Sewer Co. filed an application to borrow up to \$2,000,000. Lake Region is a Missouri corporation providing water and sewer service in an unincorporated area of Camden County.

The company requests authority from the Commission to borrow \$2,000,000 from Altera Bank in Overland Park, Kansas. The term of the loan will be for 30 years with interest being the higher of the Prime Rate or 5%. The debt will be secured by Lake Region's mortgage or deed of trust and, to the extent personal property is necessary to secure the debt, a Security Agreement in favor of the bank.

In its application, the company states that it intends to use the loan proceeds for the acquisition of property, the construction, completion, extension, improvements or additions to its facilities and other capital investments. The company goes on to state that all of this "shall be necessary and proper for the rendition of public water supply and wastewater service, the improvement or maintenance of its service, the discharge or lawful refunding of indebtedness outstanding and to reimburse its treasury for any costs heretofore incurred."

Staff Recommendation

The Staff of the Commission filed its Recommendation on January 15, 2013. After data requests, Staff reports that the \$2,000,000 will be used as follows: (1) \$1,400,000 to buy back the owners' equity interest in the company; and, (2) \$600,000 will be used to purchase a new well, purchase a new storage facility and to expand the treatment plant at Shawnee Bend.

While stating that the impact of this debt on the company's capital structure will be thoroughly analyzed in the context of the company's next rate case, Staff recommends that the Commission approve the application with the following conditions:

1. That the company shall file with the Commission, within 30 days from the transaction date, all final terms and conditions of the proposed financing including, but not limited to, the aggregate proceeds received, price information, and estimated expenses.
2. That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction including, but not limited to, Lake Region's capital structure for ratemaking purposes, and that the Commission reserves the right to consider the ratemaking treatment of these financing transactions and their effect on cost of capital in any later proceeding.

DECISION

RSMo 393.200.1 requires water and sewer companies to secure Commission approval prior to acquiring debt which is payable over periods of more than 12 months. In compliance with the law, Lake Region now seeks Commission approval to incur such a debt. Commission rule 240-3.615 requires the company to file certain information with the Commission to facilitate a review of the application. The Staff of the Commission states that Lake Region is in compliance with the Commission's rule.

The Commission finds, as required by statute,¹ that the funds sought by Lake Region are reasonably required for the “acquisition of property, the construction, completion, extension or improvement of its plant or system, or for the improvement or maintenance of its service or for the discharge or lawful refunding of its obligations for the reimbursement of moneys actually expended from income, or from any other moneys in the treasury of the corporation not secured or obtained from the issue of . . . indebtedness of the corporation.”

The Commission will approve the application subject to the conditions suggested by Staff.

THE COMMISSION ORDERS THAT:

1. Lake Region Water & Sewer Co. is authorized to create, issue and deliver to Altera Bank, Overland Park, Kansas its promissory Note in a form substantially similar to Schedule A evidencing a long-term indebtedness to be in the principal amount of up to \$2,000,000, having a maturity of not more than 30 years, bearing a variable interest rate indexed to the Prime Rate but not less than 5%.
2. Lake Region Water & Sewer Co. is authorized to create, issue and deliver to Altera Bank its Deed of Trust establishing a first lien on so much of Lake Region's real property as particularly described therein.
3. Lake Region Water & Sewer Co. is authorized to create, issue, and deliver to Altera Bank its Security Agreement establishing a first lien on so much of Lake Region's personal property as particularly described therein.

¹ Section 393.200.1 RSMo.

4. Lake Region Water & Sewer Co. is authorized to enter into, execute, deliver and perform the arrangements or other documents necessary to effectuate the financing herein approved.

5. Lake Region Water & Sewer Co. is authorized to take such other actions as may be necessary to complete the subject transaction.

6. Lake Region Water & Sewer Co. shall file with the Commission, within 30 days from the transaction date, all final terms and conditions of the proposed financing, including, but not limited to, the aggregate proceeds received, price information, and estimated expenses.

7. The authority granted to Lake Region Water & Sewer Co. is subject to those conditions suggested by the Staff of the Commission and set out in the body of this order.

8. This order shall become effective on February 23, 2013.

BY THE COMMISSION



Shelley Brueggemann
Acting Secretary

(S E A L)

Gunn, Chm., Jarrett, R. Kenney,
Stoll, and W. Kenney, CC., concur.

Jones, Senior Regulatory Law Judge