

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office
in Jefferson City on the 22nd
day of July, 2015.

In the Matter of Missouri-American Water Company)	
For Authority to Issue up to \$190,000,000 of)	
Long-Term Unsecured Debt)	<u>File No. WF-2015-0207</u>

ORDER GRANTING FINANCING APPLICATION

Issue Date: July 22, 2015

Effective Date: August 1, 2015

On February 27, 2015, Missouri-American Water Company ("Missouri-American") filed an application with the Commission for authority to issue up to \$190,000,000 of long-term unsecured debt either made payable to American Water Capital Corp. ("AWCC"),¹ or obtained through the Missouri Department of Natural Resources' Water Pollution Control Program ("Program").² Missouri American seeks the Commission's approval to engage in a variety of unsecured debt financing during a three year period following the effective date of any Commission order.

¹ AWCC, similar to Missouri American, is a wholly-owned subsidiary of American Water Works Company, Inc. AWCC is an affiliate of Missouri-American. In Case No. WF-2002-1096, the Commission approved a financing agreement with AWCC. As of the date of Missouri American's filing in the present matter, AWCC holds notes of Missouri American evidencing \$387,595,000 of long-term indebtedness.

² The Program oversees the distribution of funds administered by the United States Environmental Protection Agency and the State of Missouri through the State Revolving Fund. The funding program is codified in Chapter 644, RSMo. The State Revolving Fund is comprised of a number of subsidiary funds, such as the Drinking Water State Revolving Fund, the Clean Water State Revolving Fund, the Water and Wastewater Loan Fund, the Water and Wastewater Revolving Loan Fund and the Drinking Water Revolving Fund. Program funds are used for the construction and improvement of qualifying water and wastewater treatment facilities by qualified municipalities and utilities. It offers low cost debt financing for certain water treatment, pollution control or improvement projects.

Missouri-American states that the proceeds from the issuance and sale of the long-term debt, and indebtedness sourced through the Program will be used for the acquisition of property, construction, completion, extension, improvement or addition to its facilities, the discharge or lawful refunding of obligations, the improvement of or maintenance of its service, and for other corporate purposes.³ With the Commission's previous approval, Missouri American used funds from bonds issued by the State Environmental Improvement and Energy Resources Authority ("Authority").⁴ Missouri American states that it currently has an outstanding series of revenue bonds issued by the Authority with a principal amount of \$57,480,000. Missouri American's application states that if it is approved and favorable market rates exists, Missouri American may refinance the revenue bonds issued by the Authority, if doing so will result in a net present value savings. Missouri American also seeks approval of the financing authority to pay six promissory notes with AWCC that mature in October 2017 and total \$51,871,000. Missouri American's requests authority to enter into agreements to use, at its discretion, derivative instruments such as interest swaps, treasury locks, forward-starting swaps, caps, collars or other derivatives to manage the risk associated with interest rate fluctuations.

The Staff of the Commission filed a recommendation on June 25. Staff analyzed Missouri-American's projected financial statements over the period of the

³ Missouri-American states in ¶17 of its Application that, if approved by the Commission it will, from time to time, apply to the Program for debt financing.

⁴ The State Environmental Improvement and Energy Resources Authority is authorized to issue revenue bonds and to loan proceeds to corporations for the purpose of acquisition, construction, reconstruction, enlargement, improvement, furnishing, equipping, maintaining, repairing, operating, leasing, financing, and selling any facility considered a project under the authority authorized in §§260.005 through 260.125, RSMo.

requested authority and determined that based on projected capital expenditures, net of funds Missouri-American expects to receive from its operations, the requested amount of financing is reasonably required.

Staff recommends approval of Missouri-American's Application with conditions that are established in the ordered paragraphs of this order.

The Commission has reviewed and considered Missouri-American's Application and Staff's Recommendation. The Commission concludes that it is not detrimental to the public interest for Missouri-American to issue \$190,000,000 of long-term indebtedness. Therefore, the Commission will approve Missouri-American's request. As required by section 393.200, RSMo 2000, the Commission finds that the long-term indebtedness, for the purposes specified by Missouri-American, is reasonably required.

THE COMMISSION ORDERS THAT:

1. Missouri-American's is authorized for three years from the effective date of this order to create, issue, sell and deliver to AWCC and/or the Missouri Department of Natural Resources or its lawful designee, in one or more series, notes of long-term indebtedness, with an aggregate principal amount for all series of up to \$190,000,000, with a maturity of not more than fifty years. Any debt to AWCC shall bear an interest rate consistent with similar securities of comparable credit quality and maturities issued by other companies.

2. Missouri American shall amortize any principal or discount expenses incident to the issuance of the long-term indebtedness approved in this order to AWCC or similar expenses related to debt issue to other lenders over the life thereof.

3. Missouri-American is authorized to enter into, deliver and perform the necessary arrangements, execute all documents or take such other actions as may be necessary to effectuate the above-described transactions.

4. Nothing in this order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, which includes, but is not limited to the capital structure. The Commission reserves the right to consider the rate making treatment to be afforded these financing transactions and their effect on the cost of capital in any later proceeding.

5. Missouri-American shall file with the Commission all final terms and conditions of the proposed financing, including, but not limited to, the aggregate proceeds received, price information, and estimated expenses.

6. Missouri-American shall file with the Commission any information concerning communication with credit rating agencies concerning the proposed financing.

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

8. This order shall be effective August 1, 2015.

9. This file shall be closed on August 8, 2015.



BY THE COMMISSION

Morris L. Woodruff

Morris L. Woodruff
Secretary

R. Kenney, Chm., Stoll, W. Kenney
Hall, and Rupp, CC., concur.

Burton, Regulatory Law Judge