

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office
in Jefferson City on the 18th
day of January, 2017.

In the Matter of the Application of Terre Du Lac	)	
Utilities Corporation for Authority to Assign, Transfer,	)	<u>File No. WF-2017-0143</u>
Mortgage, or Encumber its Franchise, Works, or	)	
System, in Order to Secure Financing.	)	

ORDER GRANTING FINANCING APPLICATION

Issue Date: January 18, 2017

Effective Date: February 17, 2017

On November 15, 2016, Terre Du Lac Utilities Corporation (“Terre Du Lac” or the “Company”) filed an Application with the Commission requesting authority to assign, transfer, mortgage, or otherwise encumber its franchise, works, or system, in order to secure \$797,000 in financing. Specifically, the Company seeks approval from the Commission to pledge 380 shares of stock and grant a security interest in all of the Company’s equipment, contracts, and receivables. Terre Du Lac is a Missouri corporation engaged in the business of providing water and sewer services to approximately 1,302 customers in Washington and St. Francois Counties, Missouri. Considered a “water corporation” and “sewer corporation,” pursuant to Section 386.020, RSMo,¹ Terre Du Lac is subject to the Commission’s jurisdiction.

Terre Du Lac requests approval to pledge all of its assets as security for a ten-year promissory note issued to First State Community Bank. Terre Du Lac stated in its

Application that the funds were needed to construct a well and well house to replace three lift stations. Terre Du Lac submitted a request for an increase in its annual water and sewer system operating revenues on October 11, 2016. File No. WR-2017-0110 is currently pending before the Commission.

The Commission issued an order directing the Staff of the Commission to submit a recommendation. On December 28, Staff filed its recommendation. After reviewing the Company's Application, Staff found the purpose of the loan to be reasonable. Staff states that Terre Du Lac has already obtained the loan² and constructed or replaced the equipment described above.³ \$175,250 of the loan was used to consolidate three prior loans with the same lending institution. Terre Du Lac had utilized \$755,000 of the Promissory Note's line of credit at the time Staff submitted its Recommendation. A review of the Company's construction project trial balance statements verified that funds from the notes line of credit were used for system improvements. Staff recommends the Commission approve the Application with the condition that nothing in the Commission's order be considered a finding by the Commission of the value of the transaction for ratemaking purposes. No responses to Staff's Recommendation were filed.

Section 393.190.1 requires water and sewer corporations obtain the Commission's approval before mortgaging or otherwise encumbering the whole or part of a franchise, works, or systems. Terre Du Lac did not receive the Commission's approval prior to the issuance of the Promissory Note that encumbers its water and

¹ All statutory references are to the 2013 Cumulative Supplement of the Missouri Revised Statutes, unless indicated otherwise.

² On September 1, 2016, the 10-year Promissory Note was issued with a variable interest rate not less than 4.25% or greater than 9.25%. Terre Du Lac pledged all of its assets as security.

³ Staff's Recommendation indicates the construction is expected to be completed in January 2017.

sewer systems. However, Section 393.190.1 states that an assignment, lease, transfer, mortgage, or encumbrance made without authorization of the Commission, is deemed void. The Commission will therefore perform an evaluation on whether to authorize Terre Du Lac to assign, transfer, mortgage, or otherwise encumber its franchise, works, or system, in order to secure financing.

The Commission has reviewed and considered Terre Du Lac's Application and Staff's Recommendation. The Commission concludes that it is not detrimental to the public interest for Terre Du Lac to borrow up to \$797,000 in long-term secured debt, for the purposes specified by the Company.

Terre Du Lac states in its Application that the transaction will have no impact on the tax revenue of the political subdivisions in which any of the equipment, structures, or facilities belonging to the Company are located. Consistent with the requirements of Section 393.190.1, the Commission will provide this information to the appropriate county clerks.

THE COMMISSION ORDERS THAT:

1. Terre Du Lac is authorized to assign, transfer, mortgage, or otherwise encumber its franchise, works, or system, through the previously executed secured loan in the amount of \$797,000.
2. Nothing in this order shall be considered a finding by the Commission of the value of this transaction for ratemaking purposes, which includes, but is not limited to the capital structure. The Commission reserves the right to consider the ratemaking treatment to be afforded this financing transaction and its effect on the cost of capital in any later proceeding.

3. The Commission's Data Center shall mail a copy of this order to the county clerks for Washington and St. Francois Counties, Missouri.
4. This order shall become effective on February 17, 2017.
5. This file shall close on February 28, 2017.

BY THE COMMISSION



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

Morris L. Woodruff
Secretary

Hall, Chm., Stoll, Kenney, Rupp, and
Coleman, CC., concur.

Burton, Senior 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 18th day of January 2017.




Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

January 18, 2017

File/Case No. WF-2017-0143

**Missouri Public Service
Commission**

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**Terre Du Lac Utilities
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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.