

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office in  
Jefferson City on the 3rd day of  
October, 2013.

In the Matter of Missouri-American Water Company )	
for Authority to Issue up to \$212,500,000 )	
of Long-Term Unsecured Debt )	<b><u>File No. WF-2011-0173</u></b>

**ORDER GRANTING FINANCING APPLICATION**

Issue Date: October 3, 2013

Effective Date: October 13, 2013

On December 17, 2010, Missouri-American Water Company ("Company") filed an application with the Commission for authority to issue up to \$212,500,000 of long-term unsecured debt in File No. EF-2011-0173. On March 2, 2011, the Commission issued an order granting the authority and requiring Company to comply with recommendations made by the Staff of the Commission. On July 25, 2013, Company filed its *Motion to Reopen Case and for Supplemental Order* seeking Commission approval to issue an additional \$2,095,000 of long-term unsecured debt, subject to the same terms and conditions found in the Commission's March 2, 2011 order.

Currently, the Company has issued \$189,595,000 of long-term debt under its existing authority<sup>1</sup>. Of that amount, \$129,595,000 was refinanced. Company believes that it will be able to refinance an additional \$25 million of existing long-term indebtedness at favorable rates prior to the end of the 2013 calendar year. In order to complete the

---

<sup>1</sup> Company issued \$169,595,000 of long-term debt prior to the filing of its motion with the Commission and indicated an additional \$20 million would be issued by the end of July 2013.

transaction to refinance the \$25 million, Company states it would exceed its current authority of \$212,500,000 by \$2,095,000. Company is now requesting the Commission's approval to issue an additional \$2,095,000 of long-term indebtedness payable to its affiliate, American Water Capital Corporation, so that it may complete the refinancing transaction.

Company is a wholly-owned subsidiary of American Water Company, Inc. ("AWW") and receives most of its debt proceeds through internal loan agreements with American Water Capital Corporation. American Water Capital Corporation is AWW's financing subsidiary responsible for issuing publicly-traded debt securities on behalf of AWW's other operating subsidiaries. Since Company is not a publicly traded company, it does not have a standalone credit rating. All debt issued is supported by AWW's credit. In May of this year, Standards & Poor Rating Services increased the credit rating for AWW from 'BBB+' to 'A-' and Moody's Investors Service increased AWW's credit rating from 'Baa2' to 'Baa1.'

On August 27, 2013, Staff filed its recommendation. It is Staff's belief that if Company uses the \$2,095,000 requested in its application before the Commission to effectuate the planned \$25 million refinancing, it would have a positive cash flow effect as a result of lower rates and interests expenses. Based upon its investigation, Staff recommends the Commission approve Company's application, subject to the following four conditions:

1. That nothing in the Commission's 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, and the Commission reserves the right to consider the rate making treatment to be afforded these

financing transactions and their effect on cost of capital, in any later proceeding.

2. That the Company files with the Commission any information concerning communication with credit rating agencies concerning the proposed financing.

3. That the Company files 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.

4. That the Company file with the Commission, upon refunding of any outstanding debt, the net present value calculations indicating the amount of interest cost savings.

Staff emphasized that although it is recommending approval of the financing transaction, it was in no way approving Company's capital structure as the appropriate capital structure for ratemaking purposes. On September 12, 2013, Company filed a response to Staff's recommendation. Company had no objections to Staff's recommendations.

The Commission has reviewed and considered Company's motion and the Staff's verified memorandum and recommendation. The Commission concludes it is not detrimental to the public interest for Company to issue an additional \$2,095,000 of long-term indebtedness through American Water Capital Corporation. Therefore, the Commission will approve Company's request. As required by section 393.200, RSMo 2000, the Commission finds that the additional long-term indebtedness, for the purposes specified

by Company, is reasonably required. Such purpose is not in whole, or in part, reasonably chargeable to operating expenses or to income.

**THE COMMISSION ORDERS THAT:**

1. Missouri-American Water Company's application seeking authority to increase its existing authority by \$2,095,000 of long-term indebtedness payable to America Water Capital Corporation is approved.

2. Nothing in this order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, which included, 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 of the cost of capital, in any later proceeding.

3. Missouri-American Water Company is authorized to enter into and execute all documents necessary for the above-described transactions.

4. Missouri-American Water Company shall comply with Staff's recommended conditions as described in the body of this order.

5. This order shall become effective on October 13, 2013.



**BY THE COMMISSION**

A handwritten signature in cursive script that reads "Morris L. Woodruff".

Morris L. Woodruff  
Secretary

R. Kenney, Chm., Stoll,  
and W. Kenney, CC., concur.  
Hall, C., abstains.

Burton, Regulatory Law Judge