

**BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Missouri-American Water                    )  
Company for Authority (1) Issue up to                    )  
\$200,000,000 of Unsecured Long-Term                    )  
Debt and (2) to Issue and sell Additional                ) Case No. \_\_\_\_\_  
Common Stock to, or Receive Additional                )  
Paid-in Capital from Its Parent Company in an            )  
Aggregate Amount up to \$105,000,000                    )

**APPLICATION**

COMES NOW Missouri-American Water Company (hereinafter "Applicant") pursuant to §§ 393.190 and 393.200 RSMo. 2000 and 4 CSR 240-2.060, 2.080, and 3.615, and for its Application to the Missouri Public Service Commission (hereinafter "Commission"), states that:

**The Applicant**

1. Applicant is a Missouri corporation with its principal office and place of business at 727 Craig Road, St. Louis, Missouri 63141. It is a wholly-owned subsidiary of American Water Works Company, Inc., ("AWW"). Applicant is qualified to conduct business as a public utility in the State of Missouri subject to the jurisdiction of the Commission as provided by law. A copy of Applicant's Certificate of Corporate Good Standing issued by the Missouri Secretary of State's Office addressing Applicant's corporate status was filed with the Commission in Case No. WF-2002-1096 and is incorporated herein by reference in accordance with Commission Rule 4 CSR 240-2.060(1)(G).

2. Applicant is engaged, generally, in the business of furnishing water and wastewater to the public in over one hundred (100) municipalities within twelve (12) counties throughout the State of Missouri.

3. Applicant has no pending actions or final unsatisfied judgments or decisions against it from a state or federal agency or court that involves customer service or rates, which action, judgment or decision has occurred within three (3) years of date of this Application.

4. Applicant has no annual reports or assessment fees overdue or unpaid.

5. All communications, notices, orders and decisions respecting this Application and proceeding should be addressed to:

Mary G. Sullivan  
MISSOURI-AMERICAN WATER COMPANY  
727 Craig Road  
St. Louis, MO 63141  
Telephone: (314) 996-2277  
Facsimile: (314) 997-2451  
Email: mary.sullivan@amwater.com

Paul A. Boudreau  
BRYDON, SWEARENGEN & ENGLAND, PC  
312 E. Capitol Avenue  
P.O. Box 456  
Jefferson City, MO 65102-0456  
Telephone: (573) 635-7166  
Facsimile: (573) 636-6450  
Email: paulb@bryondlaw.com

#### **Capitalization of Applicant**

6. Applicant has an Indenture dated December 1, 1942, and supplements thereto dated June 1, 1950; December 1, 1952; January 1, 1954; June 1, 1955; December 1, 1957; December 1, 1961; December 1, 1964; June 1,

1967; June 1, 1971; December 1, 1977; January 15, 1983; December 1, 1984; November 1, 1985; January 1, 1988; November 1, 1988; December 1, 1989; February 1, 1991; February 1, 1982; February 1, 1993; May 1, 1995; November 1, 1996; April 1, 1997; May 1, 1997; March 1, 1998; March 1, 1999; and December 31, 2001; by and between St. Louis County Water Company and United Missouri Bank and Trust Company, as Trustee. St. Louis County Water Company merged with and into Applicant, the latter surviving, effective December 31, 2001. As of September 30, 2006, there was due under said Indenture \$126,570,000 aggregate principal amount of First Mortgage Bonds. The said St. Louis County Water Company Indenture, as supplemented and amended, constitutes a first mortgage lien against the property of the Applicant in said Indenture. The issuance of additional First Mortgage Bonds under the St. Louis County Water Company Indenture is prohibited by Applicant's Indenture of Mortgage, except for transfers, exchanges or substitutions.

7. Applicant has outstanding an Indenture of Mortgage dated May 1, 1968, and supplements thereto dated March 1, 1971; October 1, 1975; October 1, 1980; January 1, 1984; September, 1986; February 1, 1990; January 1, 1993; March 1, 1994; January 1, 1995; March 1, 1995; July 1, 1996; June 1, 1997; February 1, 1998; November 1, 1998; March 1, 2000; December 31, 2001; April 1, 2002; and December 1, 2006 by and between Applicant and U.S. Bank National Association (successor to Wachovia Bank, National Association, formerly First Union National Bank, formerly the Fidelity Bank), and UMB Bank & Trust, N.A. (formerly State Street Bank and Trust Company of Missouri, N.A., formerly First

National Mercantile Bank of Trust Company, successor to William B. Ebert), as Trustees. Applicant's original Indenture of Mortgage was approved by this Commission in an Order dated June 14, 1968, in Case No. 16,452. As of September 30, 2006, there was due under said Indenture of Mortgage \$101,675,000 aggregate principal amount of General Mortgage Bonds. Said Indenture of Mortgage, as supplemented and amended, constitutes a first mortgage lien against the property of Applicant described in the Indenture of Mortgage, subject to the Indenture of the former St. Louis County Water Company.

8. Applicant had outstanding, as of September 30, 2006, \$56,000,000 of long-term unsecured indebtedness.

9. Applicant had outstanding, as of September 30, 2006, \$44,033,850 of short-term unsecured indebtedness.

10. Applicant's authorized capital stock consists of 6,000 shares of 5 7/8% cumulative preferred stock, 100% par value, 1,560 shares of which at September 30, 2006, are issued and outstanding under authority of this Commission; 100,000 shares of 9.18% cumulative preferential stock, \$100 par value, 25,000 shares of which, at September 30, 2006, are issued and outstanding under authority of this Commission; and 40,000,000 shares of common stock, without par value, 27,744,421 shares of which are issued and outstanding under authority of this Commission. Applicant's Restated Articles of Incorporation contain sufficient authorized shares of common stock so as to allow the issuance of approximately 12,250,000 shares of common stock, for an aggregate purchase price of \$100,000,000.

11. None of the outstanding stock, stock certificates or bonds, have been issued or used in capitalizing the right to be a corporation or any franchise or permit, or the right to run, operate or enjoy such franchise or permit, or any contract for consolidation or the lease, or issued against or as a lien upon any contract for consolidation or merger.

### **The Financing Plan**

12. Pursuant to the terms of a Financial Services Agreement ("Agreement") with American Water Capital Corp. ("AWCC"), Applicant proposes to issue notes in one or more series evidencing up to \$200,000,000 of long-term indebtedness payable to AWCC (the "New Long-Term Debt"). The notes evidencing the indebtedness will not be secured by a mortgage, lien, or encumbrance on Applicant's properties in the State of Missouri. A form of the note evidencing the New Long-Term Debt is attached here as **Appendix 1**.

13. The purpose and general terms of the Agreement as between Applicant and AWCC, a wholly-owned subsidiary of AWW and an affiliate of Applicant, were more particularly set forth in Applicant's Application to the Commission filed on May 30, 2002 and docketed as Case No. WF-2002-1096. These general descriptions and parameters can be found in paragraphs 13-25 of that Application.<sup>1</sup> In accordance with Commission Rule 4 CSR 240-3.615(C)(1), Applicant incorporates by reference the copy of the Agreement filed with the Commission as Appendix 2 to Applicant's Application in Case No. WF-2002-1096.

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<sup>1</sup> Applicant's financing program which was the subject of its Application in Case No. WF-2002-1096 was approved by the Commission in an Order Approving Financing dated August 30, 2002.

14. The New Long-Term Debt issued pursuant to the Agreement will be made for maturities not to exceed thirty-five (35) years at market interest rates. Specifically, the interest cost of the debt instruments, including any applicable discounts, will not exceed 2.00 percentage points (200 basis points) above the yield on U.S. Government Treasury Bonds having similar terms of maturity as published in The Wall Street Journal on the date prior to the date or dates on which the terms and conditions of the indebtedness shall be determined.

15. As of the date of the filing of this Application, AWCC holds notes of Applicant evidencing \$56,000,000 of long-term unsecured indebtedness.

16. Applicant also proposes to issue and sell, from time to time, shares of common stock, no par value, of Applicant to AWW (the "New Common Stock") or receive additional paid-in-capital in an aggregate amount not to exceed \$105,000,000. The New Common Stock is proposed to be issued for an aggregate price instead of a price per share because of the problem with developing a price per share that would result in even cents per share. It is anticipated that the book value per share of the New Common Stock at the time of issuance will be the same as the then current book value of common equity.

17. Applicant intends to apply the net proceeds from the New Long-Term Debt and New Common Stock or additional paid-in-capital for the acquisition of property, the construction, completion, extension or improvements or additions to its facilities, other capital investments, all of which 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 subsequent to five (5) years prior to the date of the filing of this Application. Without limiting the scope of the foregoing, some of the proceeds from the equity contribution and/or debt issuances will be used to replace maturing long-term debt at market rates and replace outstanding short-term borrowings.

18. Applicant anticipates that debt and equity transactions totaling up to \$130,000,000 will occur prior to June 30, 2007. Any remaining balances of the proposed long-term debt and common equity or additional paid-in-capital will occur prior to December 31, 2008.

#### **Regulatory Considerations**

19. Applicant has no objection to the Commission's Order approving this Application containing express language to the effect that its authorization is not a finding by the Commission of the appropriateness of the choice of financing options for ratemaking purposes and, further, that the Commission reserves the right to consider the ratemaking treatment afforded the activities undertaken by the Applicant pursuant to its order in this case and their impact on the cost of capital in pending or subsequent rate proceedings.

#### **Filing Requirements**

20. In accordance with Commission Rule 4 CSR 240-3.615(1)(D), attached hereto, marked **Appendix 2**, incorporated herein for all purposes, is a certified copy of the Resolutions of the Board of Directors of Applicant authorizing the issuance which is the subject of this Application and authorizing the filing of this Application.

21. Also attached hereto and incorporated herein by reference are the following appendices:

- a. **Appendix 3** - Listing of issued and outstanding bonds of Applicant;
- b. **Appendix 4** - Information regarding capital stock outstanding, bonded indebtedness and short-term indebtedness and other financial information including a balance sheet for the twelve (12) month period ending September 30, 2006, and a financial statement with the adjustments showing the *pro forma* effect of the issuance of the \$200,000,000 of New Long-Term Debt and \$105,000,000 of New Common Stock on bonded and other indebtedness and stock authorized and outstanding. (See, 4 CSR 240-3.615(1)(E)).
- c. **Appendix 5** - Statement of Applicant's capital expenditures for the acquisition of property and the construction, completion, extension and improvement of its plant and system for the five (5) year period ending immediately prior to the filing of this Application, as well as the amount of retirements and permanent financing for the indicated, and a statement of Applicant's net property additions [See, 4 CSR 240-3.615(1)(G)].

22. The money, property or labor to be procured or paid by the issuance and sale of the New Long-Term Debt and the issuance and sale by Applicant of the New Common Stock hereinabove described is reasonably required for the purposes specified in this Application and such purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

#### **Supplemental Reports of Financing Activity**

23. Promptly after the issuance and sale of each series of New Long-Term Debt, a report setting forth the amount, price information and other terms and provisions concerning long-term bonded indebtedness incurred by Applicant and setting forth information concerning the use of the proceeds from any such



issuance will be late filed as Appendix 6 (a-x as applicable) hereto and made a part hereof for all purposes.

24. Each of Applicants' reports will include a statement of the portion of the issuance of long-term indebtedness subject to the fee schedule set forth in § 386.300 RSMo 2000, in accordance with 4 CSR 240-3.615(1)(F).

WHEREFORE, Applicant requests the Commission to issue an Order authorizing the Applicant of the Commission's approval to:

A. Create, issue, sell and deliver to AWCC, in one or more series, notes evidencing long-term unsecured indebtedness, each such series of notes to be issued at such time, or from time-to-time, to be of such aggregate principal amount, having maturity of not more than thirty-five (35) years, bearing an interest rate at a rate not greater than two percentage points above the yield on a U.S. government treasury bond having a similar term of maturity on the date prior to the date on which the terms and conditions for each such series of notes shall be determined, and having such designation and such other terms and conditions as shall be determined by Applicant at the time of issuance, provided that the aggregate principal amount of all such series, shall not exceed \$200,000,000;

B. Amortize any principal or discount expenses incident to the issuance of long-term indebtedness to AWCC over the life thereof;

C. Issue and sell to American Water Works, Inc., Applicant's common stock or receive additional paid-in-capital in an aggregate principal amount not to exceed \$105,000,000;

D. Enter into, execute, deliver and perform the necessary arrangements or other documents necessary to effectuate the transactions hereinabove described; and

E. Take such other actions as may be necessary to complete the subject transactions; and

Further ordering that the proceeds from the issuance and sale of the New Long-Term Debt and the New Common Stock or additional paid-in-capital will be used by Applicant for the acquisition of property, the construction, completion, extension or 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 as hereinabove described; and

Further ordering that the money, property or labor to be procured or paid for by the Applicant through the issuance and sale of the New Long-Term Debt and the New Common Stock or additional paid-in-capital is reasonably required and necessary for the purposes set forth and will be used therefore and such purposes are not, in whole or in part, reasonably chargeable to operating expense or to income, all as required by § 393.200 RSMo. 2000.

BRYDON, SWEARENGEN & ENGLAND

By: /s/ Paul A. Boudreau  
Paul A. Boudreau Mo. Bar # 33155  
BRYDON, SWEARENGEN & ENGLAND P.C.  
P.O. Box 456, 312 East Capitol Avenue  
Jefferson City, MO 65102-0456  
Telephone: (573) 635-7166  
Facsimile: (573) 634-7431  
paulb@brydonlaw.com  
ATTORNEYS FOR APPLICANT MISSOURI-  
AMERICAN WATER COMPANY

### CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was electronically transmitted, sent by U.S. Mail, postage prepaid, or hand-delivered, on this 24th day of January, 2007, to:

Missouri Public Service Commission  
General Counsel's Office  
Governor Office Building  
200 Madison Street, P.O Box 360  
Jefferson City, MO 65102

Office of Public Counsel  
Governor Office Building  
200 Madison Street, P.O. Box 7800  
Jefferson City, MO 65102

/s/ Paul A. Boudreau  
Paul A. Boudreau

AFFIDAVIT

State of Missouri )  
County of St. Louis ) ss

I, James M. Jenkins, having been duly sworn upon my oath, state that I am the Vice President, Finance of Missouri-American Water Company, that I am duly authorized to make this affidavit on behalf of Missouri-American Water Company, and that the matters and things stated in the foregoing Application and appendices thereto are true and correct to the best of my information, knowledge and belief.

James M. Jenkins

Subscribed and sworn before me this 24 day of January, 2006.

Rebecca Acton

Notary Public

