

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 10th day of April,
2019.

In the Matter of Missouri-American Water)	
Company for Authority to Issue up to)	
\$350,000,000 of Long-Term Unsecured Debt)	<u>File No. WF-2019-0206</u>

ORDER GRANTING FINANCING APPLICATION

Issue Date: April 10, 2019

Effective Date: May 10, 2019

On January 10, 2019, Missouri-American Water Company ("Missouri-American") filed an application with the Commission for authority to issue up to \$350,000,000 of long-term unsecured debt. Missouri-American is a wholly-owned subsidiary of American Water Works Company, Inc. ("AWW"). Missouri-American seeks the Commission's approval to issue long-term affiliate promissory notes through American Water Capital Corporation ("AWCC") or notes through special government programs administered by the Missouri Department of Natural Resources. AWCC is a wholly-owned financing subsidiary of AWW and an affiliate of the Missouri-American.

Missouri-American intends to use the net proceeds from the unsecured long-term debt 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. Some of the proceeds from the debt issuances will be used to replace short-term

borrowings accrued during the period of time Missouri-American's financing plan is in effect.

Staff filed a recommendation on March 20, 2019. Staff stated that it normally would perform a detailed analysis of the company's credit quality by analyzing the major financial ratios evaluated by credit rating agencies, but because Missouri-American does not have a credit rating of its own, rather the cost of debt is based on the creditworthiness of AWW, Staff did not believe that analysis was warranted. Since the proposed debt proceeds in the application amount to less than 4.5 percent of AWW's total outstanding debt as of September 30, 2018, it is Staff's opinion that this transaction will have minimal to no impact on AWW's credit quality.

Staff analyzed Missouri-American's projected financial statements over the period of the requested authority and other financial information. Staff reported that based on its analysis of Missouri-American's projected capital expenditures, net of funds it expects to receive from its operations after the payment of dividends to AWW, the requested amount of affiliate debt financing is reasonably required. Staff recommended approval of Missouri-American's application with conditions that are established in the ordered paragraphs of this order.

On March 29, 2019, Missouri-American responded to Staff's recommendation. Missouri-American stated that although it did not necessarily agree with all instances of Staff's reasoning as set out in its recommendation, it does not object to the conditions.

The Commission has reviewed and considered Missouri-American's verified application and Staff's verified recommendation. The Commission finds that the proceeds from the issuance and sale of the long term indebtedness as described in the application

will be used by Missouri-American 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 required by section 393.200, RSMo 2016, the Commission finds that the money, property or labor to be procured or paid for by Missouri-American through the issuance and sale of the long-term indebtedness is reasonably required and necessary and will be used for the purposes set forth in the application. Further, the Commission finds that such purposes are not, in whole or in part, reasonably chargeable to operating expense or to income. Therefore, the Commission concludes that it is not detrimental to the public interest for Missouri-American to issue \$350,000,000 of long-term indebtedness. The Commission will approve Missouri-American's request.

Missouri-American additionally filed a request for a waiver of Commission rule 4 CSR 240-4.017(1) that provides "(a)ny person that intends to file a case shall file a notice with the secretary of the commission a minimum of sixty (60) days prior to filing such case." A notice was not filed 60 days prior to the filing of this application, and Missouri-American seeks a waiver of the 60-day notice requirement. Commission rule 4 CSR 240-4.017(1)(D) provides that a waiver may be granted for good cause. Missouri-American stated that it had good cause because it had no communication with the office of the Commission within the 150 days prior to filing its application regarding any substantive issue likely to be in this case, other than those pleadings filed for record. Accordingly, for good cause shown, a waiver of the 60-day notice requirement of Commission rule 4 CSR 240-4.017(1) is granted.

THE COMMISSION ORDERS THAT:

1. Missouri-American Water Company is authorized for three years from the effective date of this order to create, issue, sell, and deliver to American Water Works Company, Inc., and/or the Missouri Department of Natural Resources or its lawful designee, in one or more series, notes evidencing long-term 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 50 years, the debt to American Water Works Company, Inc., bearing interest at a rate consistent with similar securities of comparable credit quality and maturities issued by other companies, and having such designation and such other terms and conditions as shall be determined by Missouri-American Water Company at the time of issuance, provided that the aggregate principal amount of all such series shall not exceed \$350,000,000.

2. Missouri American Water Company shall amortize any principal or discount expenses incident to the issuance of the long-term indebtedness to American Water Works Company, Inc., or similar expenses related to debt issue to other lenders over the life thereof.

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

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

8. Missouri-American Water Company's request for a waiver of Commission rule 4 CSR 240-4.017(1) is granted.

9. This order shall be effective May 10, 2019.

10. This file shall be closed on May 11, 2019.



BY THE COMMISSION

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

Morris Woodruff
Secretary

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

Dippell, Senior Regulatory Law Judge

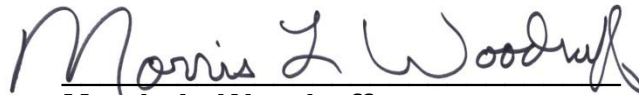
STATE OF MISSOURI

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 10th day of April 2019.




Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

April 10, 2019

File/Case No. WF-2019-0206

**Missouri Public Service
Commission**

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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.