

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 14th day of
August, 2024.

In the Matter of the Application of)
Missouri-American Water Company for)
Authority to Issue Up to \$405 Million of)
Long-Term Debt and Secure Same with a)
Mortgage on its Property)

File No. WF-2024-0353

ORDER GRANTING FINANCING AUTHORITY

Issue Date: August 14, 2024

Effective Date: September 13, 2024

On May 31, 2024,¹ Missouri-American Water Company (MAWC) filed an *Application and Motion for Waiver*, requesting authority to engage in a variety of secured debt financings with the Missouri Department of Natural Resources, not to exceed an aggregate principal amount of \$405 million over the course of approximately three years,² to be secured by placing a mortgage upon its property. The loans would be administered through the State of Missouri Direct Loan Program,³ have a 20-year term, and bear an annual interest rate that is equal to 30% of the Revenue Bond Index as published in *The Bond Buyer* most recently prior to the date of closing of the loan, plus a 0.5% administration fee.⁴

¹ Unless otherwise noted, all dates refer to the year 2024.

² The application requests the authority extend until December 31, 2027.

³ *Application and Motion for Waiver*, p. 4, para. 12, states:

The Missouri Department of Natural Resources, in cooperation with the Safe Drinking Water Commission of the State of Missouri, has developed and implemented the State of Missouri Direct Loan Program for the purpose of making loans and grants to political subdivisions and other eligible entities of the State of Missouri. In this case, the Safe Drinking Water Commission has approved loans, and the Applicant is expected to apply for future loans, in an aggregate principal amount of \$405.0 million to be made by the Missouri Department of Natural Resources to Applicant pursuant to Loan Agreements[.]

⁴ *Application and Motion for Waiver*, p. 4, para. 14.

MAWC states that it will use the loan proceeds to finance improvements to certain drinking water treatment facilities. Net proceeds from the loans will be used to acquire property; construct, complete, extend or improve plant or system; improve or maintain its service; or reimburse moneys actually expended from income as permitted by Section 393.200, RSMo 2016.⁵ The application also requested waiver of the 60-day notice requirement of Commission Rule 20 CSR 4240-4.017.

On July 22, the Staff of the Commission (Staff) filed its recommendation and attached memorandum, recommending that the Commission approve MAWC's application subject to certain conditions. Staff's memorandum stated that Staff finds that granting the application would not be detrimental to the public interest when authorized subject to its recommended conditions. Staff also does not oppose waiver of the 60-day notice requirement of Commission Rule 20 CSR 4240-4.017. On August 2, MAWC filed a response to Staff's recommendation in which it stated that it did not object to Staff's recommended conditions. No other responses were filed.

Section 393.200, RSMo 2016, and Commission Rule 20 CSR 4240-10.125 require MAWC to obtain the Commission's authority to issue debt securities. Sections 393.180 and 393.200, RSMo 2016, authorize public utilities to issue long-term financing when necessary for the purposes enumerated in the statute.⁶ If the utility's request falls within

⁵ *Application and Motion for Waiver*, pp. 4-5, para. 15.

⁶ Section 393.180, RSMo 2016, states:

The power of gas corporations, electrical corporations, water corporations, or sewer corporations to issue stocks, bonds, notes and other evidences of indebtedness and to create liens upon their property situated in this state is a special privilege, the right of supervision, regulation, restriction and control of which is and shall continue to be vested in the state, and such power shall be exercised as provided by law and under such rules and regulations as the commission may prescribe.

the enumerated purposes and is necessary or reasonably required, the Commission may grant the request.⁷

After review of MAWC's application and of Staff's recommendation, the Commission concludes that granting MAWC's request accords with MAWC's stated purposes, that the issuance of the debt securities proposed in the application is or will be reasonably required for those stated purposes, and that such purposes are not in whole, or in part, reasonably chargeable to operating expenses or to income. Accordingly, the Commission finds that the request satisfies Section 393.200, RSMo 2016. The Commission will approve MAWC's application for authority to issue debt securities, subject to Staff's recommended conditions.

MAWC requested waiver of the Commission's 60-day notice requirement under Commission Rule 20 CSR 4240-4.017. The Commission finds good cause exists to waive the 60-day notice requirement based on MAWC's verified declaration that it had no communication with the Commission regarding substantive issues likely to arise in this file within 150 days before filing its application.

THE COMMISSION ORDERS THAT:

1. The 60-day notice of case filing requirement of Commission Rule 20 CSR 4240-4.017(1) is waived for good cause.

⁷ *In re Laclede Gas Co.v. Mo. Pub. Serv. Com'n.* 526 S.W.3d 245 (Mo. App. 2017).

2. MAWC's request for financing authorization is granted subject to the proposed conditions as stated in Staff's memorandum as follows:

- A. Nothing in this Order shall be considered a finding by the Commission of the value of this transaction for rate-making purposes, and the Commission reserves the right to consider the rate-making treatment to be afforded the financing transaction and its impact on cost of capital, including the cost of preferred stock, in any future proceeding.
- B. The Company shall be authorized to enter into a variety of secured debt financings with the Missouri Department of Natural Resources, not to exceed an aggregate principal amount of Four Hundred Five Million Dollars (\$405,000,000), by placing a mortgage, lien or encumbrance on certain properties in the State of Missouri with a 20-year term, provided that the proceeds from the issuance of any indebtedness authorized by this Order shall be used by MAWC for the exclusive benefit of its regulated operations.
- C. Any money, property, or labor to be procured or paid for by MAWC through the issuance of the long-term indebtedness authorized by this Order shall be reasonably required and necessary for the purposes set forth and will be used therefore, and, as required by Section 393.200, RSMo 2016, such purposes shall not, in whole or in part, be reasonably chargeable to operating expense or to income.
- D. Within ten days of the issuance of any financing authorized pursuant to this Order, MAWC shall file with the Commission a report including the amount of long-term debt issued, date of issuance, interest rate (initial rate, if variable), and other general and special terms, if any, including the use of proceeds and estimated expenses. In addition, MAWC shall also provide the analysis it performed to determine that the terms for the long-term debt it obtained were the most reasonable at the time. Such analysis shall include, but not be limited to, indicative pricing information provided by investment banks.
- E. MAWC shall file a five-year capitalization expenditure schedule in future finance cases.
- F. The authority granted by this Order shall expire on December 31, 2027.

5. MAWC is authorized to enter into, execute, deliver and perform all necessary arrangements or other documents and take all actions necessary to effectuate the above-described transactions.

6. This order shall become effective on September 13, 2024.

7. This file shall close on September 14, 2024.



BY THE COMMISSION

A handwritten signature in black ink that reads "Nancy Dippell". The signature is written in a cursive, flowing style.

Nancy Dippell
Secretary

Hahn, Ch., Coleman, Holsman
Kolkmeier, and Mitchell CC., concur.

Seyer, 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 14th day of August 2024.



Nancy Dippell

Nancy Dippell
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

August 14, 2024

File/Case No. WF-2024-0353

MO PSC Staff

Staff Counsel Department
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102
staffcounsel@psc.mo.gov

**Office of the Public Counsel
(OPC)**

Marc Poston
200 Madison Street, Suite 650
P.O. Box 2230
Jefferson City, MO 65102
opc@psc.mo.gov

**Missouri-American Water
Company**

Dean Cooper
312 East Capitol
P.O. Box 456
Jefferson City, MO 65102
dcooper@brydonlaw.com

**Missouri-American Water
Company**

Timothy Luft
727 Craig Road
St. Louis, MO 63141
timothy.luft@amwater.com

**Missouri-American Water
Company**

Rachel Niemeier
727 Craig Rd.
St. Louis, MO 63141
rachel.niemeier@amwater.com

MO PSC Staff

Ron Irving
200 Madison Street
Jefferson City, MO 65101
ron.irving@psc.mo.gov

Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).

Sincerely,



**Nancy Dippell
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.