

## MEMORANDUM

**TO:** Missouri Public Service Commission Official Case File  
Case No. HO-2025-0153, Vicinity Energy Kansas City, Inc.

**FROM:** Lexy Haug, Financial Analysis Department

/s/ Seoung Joun Won, PhD 01/02/2025  
Financial Analysis Department / Date

**SUBJECT:** Staff Recommendation concerning the Application of Vicinity Energy Kansas City, Inc. (“VEKC” or “Applicant”), for Approval of a modification to its current Deed of Trust financing, increasing the Future Advance Deed of Trust limit from Seven Hundred Five Million Dollars (\$705,000,000), to Seven Hundred Seventy-Two Million Dollars (\$772,000,000).<sup>1</sup>

**DATE:** January 2, 2025

### FINDING OF FACTS:

1. (a) **Type of Issue:** The current limit of VEKC’s Future Advance Deed of Trust is \$705,000,000. The proposed Modification would increase that limit to \$772,000,000.<sup>2</sup>
- (b) **Requested Increase Amount:** \$67,000,000.
- (c) **Rate:** Interest rates are effectively the same as prior credit facility<sup>3</sup> previously approved by the Commission, consisting of a Secured Overnight Financing Rate (“SOFR”) plus a rate ranging from \*\* [REDACTED] \*\*. <sup>4</sup>
- (d) **Other Provision:** In order to increase the Deed of Trust limit, Applicant will be required to execute and file the Modification of Future Advance Deed of Trust in Jackson County, MO.<sup>5</sup>

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<sup>1</sup> Paragraph 1 and Paragraph 5, The Application.

<sup>2</sup> Paragraph 5, The Application.

<sup>3</sup> Credit facilities are types of loans and other arrangements that allow a borrower to access money for various purposes, often with specific terms for repayment and interest rates.

<sup>4</sup> Staff Data Request No. 0006.

<sup>5</sup> Page 12, The Application (second page in Exhibit B).

2. **Proposed Date(s) of Transaction:** Any time after the date of the Order.<sup>6</sup>
  
3. (a) **Statement of Purpose of the Issue:** The purpose of increasing the Future Advance Deed of Trust limit is to comply with Vicinity Energy Inc.'s ("Vicinity") lender requirements that all assets of the company are pledged as collateral for all borrowings. This increase is at the Vicinity level, not at the VEKC level.<sup>7</sup>  
(b) **From a financial perspective, does Staff deem this Statement of Purpose of the Issue reasonable?**  
Yes, this credit facility increase is a change at the Vicinity level and is not specific to VEKC.<sup>8</sup>
  
4. **Was the proposed Modification of Future Advance Deed of Trust reviewed?**  
Yes.
  
5. **Have the following documents been reviewed: a certified copy of a resolution from the Applicant's directors or other legal documents authorizing the modification?**  
Yes.
  
6. **Recommendation of the Staff:**  
Conditional Approval recommended (see Comments and Recommended Conditions below).

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<sup>6</sup> Paragraph 15b, The Application.

<sup>7</sup> Staff Data Request No. 0001.

<sup>8</sup> Ibid.

**COMMENTS:**

VEKC is a Delaware corporation with Missouri offices located at 115 Grand Boulevard, Kansas City, Missouri.<sup>9</sup> The Applicant is a public utility that provides steam heating service to the public in downtown Kansas City, Missouri.<sup>10</sup> It is owned by Vicinity Energy, Inc.<sup>11</sup>

On November 13, 2024, VEKC submitted an application requesting the approval of a modification to its current Deed of Trust Financing.<sup>12</sup> The modification would increase the current Future Advance Deed of Trust limit of \$705,000,000 to \$772,000,000.<sup>13</sup> The Applicant proposes to use the net proceeds from the modification under Vicinity-level credit facilities to provide liquidity to continue its growth and expansion, including capital investments into the VEKC district energy system to maintain reliable service for new and existing customers.<sup>14</sup>

VEKC's modification to its current Deed of Trust increases the limit to \$772,000,000.<sup>15</sup> VEKC is the Grantor or Mortgagor of the modification with Martin Leigh Attorneys PC as the Trustee. BNP Paribas is the Grantee or Mortgagee.<sup>16</sup> Vicinity is the borrower and the requested modification requires them to amend their current credit agreement.<sup>17</sup>

VEKC states that the modification will not be detrimental to the public interest.<sup>18</sup> As explained in the response to Staff's Data Request, this is a Vicinity-level transaction and is not specific to VEKC, so the additional funds will allow further growth and expansion across Vicinity's portfolio of district energy systems in the U.S., including VEKC. This will allow VEKC to maintain reliable service for its existing and new customers.<sup>19</sup> Staff analyzes the requested amount as it relates to the stated uses to ensure that the amount requested is reasonable.

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<sup>9</sup> Paragraph 4, The Application.

<sup>10</sup> Paragraph 2, The Application.

<sup>11</sup> Ibid

<sup>12</sup> Paragraph 1, The Application.

<sup>13</sup> Paragraph 5, The Application.

<sup>14</sup> Staff Data Request No. 0002.

<sup>15</sup> Paragraph 5, The Application.

<sup>16</sup> Page 11, The Application (first page in Exhibit B).

<sup>17</sup> Page 12, The Application (second page in Exhibit B).

<sup>18</sup> Paragraph 3, The Application.

<sup>19</sup> Staff Data Request No. 0005.

According to the response to Staff's Data Requests, it was stated that the increase of debt at the Vicinity level will have no direct impact on the financial statements of VEKC.<sup>20</sup>

Staff understands that VEKC needs to obtain the modification to increase Vicinity's funds to provide liquidity to continue its growth and expansion including capital investments into the VEKC district energy system to maintain reliable service for customers.<sup>21</sup> Additionally Staff acknowledges that as previously stated, this modification will not have a direct impact on VEKC as this is a Vicinity level transaction. Furthermore, the requested increase amount for the limit of the Deed of Trust is less than 10% of the long-term debt at the consolidated Vicinity level.<sup>22</sup>

For these reasons, Staff concludes that the Application would not be detrimental to the rate payers given the recommended conditions listed below.

#### **RECOMMENDED CONDITIONS:**

Staff recommends that the Commission approve the Application submitted by VEKC in this case subject to the following 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, and that 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 the preferred stock, in any future proceeding;
2. That the Company be authorized to enter into a Modification Agreement, not to exceed an aggregate principal amount of Seven Hundred Seventy- Two

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<sup>20</sup> Staff Data Request No. 0003.

<sup>21</sup> Staff Data Request No. 0002.

<sup>22</sup> Staff Data Request No. 0003.1.

Million Dollars (\$772,000,000), by placing a mortgage, lien or encumbrance on certain properties in the State of Missouri; and,

3. That the money, property or labor to be procured or paid for by VEKC through the issuance of the long-term debt 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, as required by Section 393.200, RSMo.

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

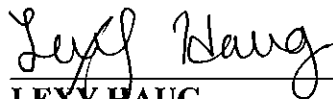
In the Matter of the Application of Vicinity            )  
Energy Kansas City, Inc. For Approval of            )  
Deed of Trust Modification                                )            File No. HO-2023-0153

**AFFIDAVIT OF LEXY HAUG**

STATE OF MISSOURI        )  
  )        ss.  
COUNTY OF COLE        )

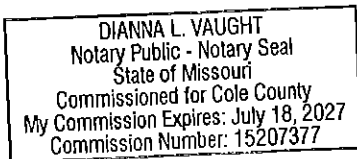
**COMES NOW LEXY HAUG** and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

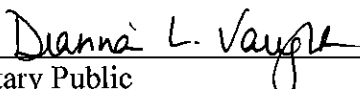
Further the Affiant sayeth not.

  
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**LEXY HAUG**

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 30<sup>th</sup> day of December 2024.



  
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Notary Public