

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

In the Matter of Missouri-American Water)
Company for Authority to Issue up to) **File No. WF-2025-0150**
\$525,000,000 of Long Term, Unsecured Debt)

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), through counsel, and files its *Staff Recommendation* and attached Memorandum, recommending that the Missouri Public Service Commission (“Commission”) approve Missouri-American Water Company’s (“MAWC” or “Applicant”) Application for Authority to Issue Long Term, Unsecured Debt (“Application”), with conditions. In support of Staff’s Memorandum, Staff states as follows:

1. On November 8, 2024, MAWC filed its *Application and Motion for Waiver (“Application”)* with the Commission pursuant to § 393.200, RSMo, and 20 CSR 4240-2.060, 2.080, and 10.125, requesting a waiver of Commission Rule 20 CSR 4240-4.017 which requires a minimum of 60 days’ notice prior to filing a new case with the Commission.

2. On November 13, 2024, the Commission ordered Staff to file its recommendation regarding MAWC’s *Application* or a status report by December 5, 2024.

3. On December 5, 2024, Staff filed a *Status Report and Motion for Extension* requesting an additional 30 days in which to issue data requests (DRs), send follow-up data requests, and further review information from the Company.

4. The Commission granted the Staff's *Motion for Extension* and ordered the Staff file a recommendation in this matter no later than January 7, 2025.¹

5. Staff reviewed the *Application* regarding MAWC's request for the authority to engage in a variety of unsecured debt financings with American Water Capital Corp. ("AWCC"), during an approximately three-year period and not to exceed an aggregate principal amount of \$525,000,000. The proposed debt issuance complies with § 393.200.1, RSMo. For the purposes set forth in the *Application*, the request is reasonably necessary, and operating expenses or income cannot reasonably cover those purposes.

6. Staff has reviewed MAWC's *Application* and recommends Approval be granted as set forth specifically in Staff's Memorandum, attached hereto and made a part hereof as **Appendix A**.

7. Specifically, Staff recommends the Commission approve the *Application* submitted by MAWC as not being detrimental to the public interest, subject to the following conditions:

a. 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;

b. That the Company be authorized to enter into a variety of secured debt financings with the AWCC, not to exceed an aggregate principal amount of Five Hundred Twenty-Five Million Dollars (\$525,000,000);

c. That the money, property or labor to be procured or paid for by MAWC through the issuance of the long-term debt is reasonably required and necessary for the purposes set forth and will be used therefore,

¹ *Order Granting Extension*, issued December 6, 2024, and effective December 6, 2024.

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;

d. That the Company shall file with the Commission within thirty (30) days of issuance of any financing authorized pursuant to a Commission order in this proceeding, 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, the Company shall also provide the analysis to include, but not be limited to, indicative pricing information provided by investment banks, it performed to determine that the terms for the long-term debt it obtained was the most reasonable at the time;

e. That the Company could enter into agreements in order to use, at its discretion, derivative instruments, such as interest rate swaps, treasury locks, forward-starting swaps, caps, collars or other derivatives, to manage the risk associated with interest rate fluctuations and other financial exposures that may occur before the issuance of the New Long-Term Debt if agreements are not detrimental to the public interest and the benefits of MAWC's ratepayers;

f. That the Company shall file with the Commission any information concerning communication with credit rating agencies concerning any such issuance;

g. That the Company shall file with the Commission as a non-case related submission in EFIS under "Resources" - "Non-Case Related Query" - "Ordered Submission" any credit rating agency reports published on MAWC's or AWWC's corporate credit quality or the credit quality of its securities;

h. That the Company be required to file a five-year capitalization expenditure schedule in future finance cases; and,

i. That the Commission's grant of authority shall expire three years from the effective date of the order in this proceeding.

8. MAWC did not determine the portion of new debt securities subject to the fee schedule in § 386.300.2, RSMo, in its *Application*.

9. MAWC filed its five-year capitalization expenditure schedule, as required by Commission Rule 20 CSR 4240-10.125(1)(G).

10. Staff is not opposed to the Commission granting MAWC's requested waiver from the requirements of Commission Rule 20 CSR 4240-4.017(1).

WHEREFORE, Staff recommends the Commission authorize MAWC's *Application* with Staff's recommended conditions.

Respectfully submitted,

/s/ Carolyn H. Kerr
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile, or electronically mailed to all parties and/or counsel of record on this 3rd day of January, 2025.

/s/ Carolyn H. Kerr