

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 13th day of February, 2025.

In the Matter of Missouri-American)
Water Company for Authority to)
Issue up to \$525,000,000 of Long-)
Term, Unsecured Debt)

File No. WF-2025-0150

ORDER APPROVING APPLICATION FOR FINANCE AUTHORITY

Issue Date: February 13, 2025

Effective Date: February 23, 2025

On November 8, 2024, Missouri-American Water Company (MAWC) submitted an application (Application) requesting authorization to issue long-term debt in an amount of up to \$525 million (New Long-Term Debt). MAWC also requested waiver of the 60-day notice requirement under Commission Rule 20 CSR 4240-4.017.

The Application requested approval for MAWC to engage in a variety of unsecured debt financings during an approximately three-year period. According to the Application, the debt financing may be made through American Water Capital Corp. (AWCC), the Missouri Department of Natural Resources through its Water Pollution Control Program, or the State Revolving Fund, which is a program to administer capitalization grants deposited in a special revolving fund by the United States Environmental Protection Agency and the State of Missouri.

Use of Funds

The Application stated that MAWC intends to apply the New Long-Term Debt to: 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 outstanding indebtedness; and to reimburse its treasury for costs incurred. Some of the proceeds from the New Long-Term Debt will be used to replace maturing or other long-term debt at market rates and replace certain short-term borrowings.

Staff Recommendation

The Staff of Commission (Staff) filed its Recommendation and Memorandum on January 3, 2025. Staff's Recommendation stated that the proposed New Long-Term Debt complies with Section 393.200.1, RSMo (2016). Staff's Memorandum stated that it verified that MAWC's future capital expenditures support the need to obtain additional debt financing. For the purposes set forth in the Application, Staff stated that the requested New Long-Term Debt is reasonably necessary, and operating expenses or income cannot reasonably cover those purposes. Staff further stated in its filing that the Application, subject to Staff's proposed conditions, would not be detrimental to the public interest.

Staff recommended that the Commission approve MAWC's Application, subject to several proposed conditions, lettered "a" through "i". No other party responded to MAWC's Application.

Analysis of Condition "e"

On January 13, 2025, MAWC filed *MAWC's Response to Staff Conditions* (Response). The Response suggested alternate language to Staff's proposed

condition “e”.¹ The Response stated that with MAWC’s suggested alternate language, MAWC would have no objection to Staff’s Recommendation and the remaining proposed conditions. No other party responded to Staff’s Recommendation.

On February 5, 2025, Staff filed its *Staff Response to MAWC’s Suggested Wording Change* (“Reply”). The Reply stated that Staff has a proposed rewording of condition “e”, and further stated that MAWC has indicated its agreement and/or approval of such language modification. No other party responded to MAWC’s Response.

Legal Standard

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. *In re: Laclede Gas Co. v. Public Serv. Comm’n*,² stated that Sections 393.180³ and 393.200, RSMo (2016),⁴ authorize public utilities to issue long-term financing when necessary for the purposes enumerated in the statute. If MAWC’s request falls within the enumerated purposes and is necessary or reasonably required, the Commission may grant the request.⁵

¹ The Response inadvertently referenced condition “e” as condition “d”, which the Commission has interpreted as a typographical error – e.g., the Response’s suggested wording is to condition “e”, and the Response also stated acceptance of all conditions except “e”. See Response, Paragraph 3.

² 526 S.W.3d 245 (Mo. App. W.D. 2017).

³ “The power of ... water corporations... to issue ... notes and other evidences of indebtedness ... is a special privilege, the ... control of which is ... 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.” Section 393.180, RSMo (2016).

⁴ “A ... water corporation ... may issue ... notes or other evidences of indebtedness ... when necessary for the acquisition of property, the construction, completion, extension or improvement of its plant or system, or for the improvement or maintenance of its service or for the discharge or lawful refunding of its obligations or for the reimbursement of moneys actually expended from income, or from any other moneys in the treasury of the corporation not secured or obtained from the issue of stocks, bonds, notes or other evidence of indebtedness of such corporation ... [and] such purposes are not in whole or in part reasonably chargeable to operating expenses or to income.” Section 393.200, RSMo (2016).

⁵ *In re: Laclede Gas Co. v. Mo. Pub. Serv. Comm’n*. 526 S.W.3d 245 (Mo. App. 2017).

Discussion

After review of MAWC's Application, Staff's Recommendation and Memorandum, MAWC's Response, Staff's Reply, and the relevant statutes and Commission rules, the Commission concludes that granting MAWC's request accords with its stated purposes, and that the financing authorization proposed in the Application is or will be reasonably required for those stated purposes. The Commission also finds that approving the Application with the recommended and agreed to conditions will not be detrimental to the public interest. The Commission, accordingly, finds that the request for New Long-Term Debt satisfies Section 393.200, RSMo (2016). The Commission will grant MAWC's unopposed request for financing authorization, subject to the proposed conditions of Staff, with condition "e" modified as proposed in Staff's Reply.

The Commission will grant MAWC's request for waiver of the 60-day case filing notice requirement under 20 CSR 4240-4.017. The Commission finds good cause exists for waiver based on the Application's declaration that there were no communications with the Office of the Commission regarding substantive issues likely to arise in this file within 150 days before filing of the Application.

To allow MAWC to expeditiously implement its financing authority, the Commission finds it reasonable to make this order effective in less than 30 days.⁶

THE COMMISSION ORDERS THAT:

1. The 60-day notice of case filing requirement is waived for good cause found pursuant to 20 CSR 4240-4.017(1)(D).

⁶ Section 386.490, RSMo (2016).

2. MAWC's request for financing authorization is granted subject to the proposed conditions as stated in Staff's Recommendation with condition "e" modified as set forth in Staff's Reply, as follows:

- a. 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 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. MAWC is authorized to enter into a variety of secured debt financings with AWCC, not to exceed an aggregate principal amount of Five Hundred Twenty-Five Million Dollars (\$525,000,000);
- c. The money, property or labor to be procured or paid for by MAWC through the issuance of the long-term debt shall be reasonably required and necessary for the purposes set forth and will be used therefore, and such purposes shall not, in whole or in part, be reasonably chargeable to operating expense or to income, as required by Section 393.200, RSMo;
- d. MAWC shall file with the Commission within 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, MAWC 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. MAWC is authorized to 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. However, the Commission reserves the right to determine the rate-making treatment to be afforded such agreements in any future proceeding, after reviewing all the costs and benefits to MAWC

ratepayers as well as all gains and losses of derivative contracts that such agreements may incur;

- f. MAWC shall file with the Commission any information concerning communication with credit rating agencies concerning any such issuance;
 - g. MAWC shall file with the Commission as a non-case related submission in EFIS any credit rating agency reports published on MAWC's or AWWC's corporate credit quality or the credit quality of its securities within ten days of publication. The submission will be via the "Utility Compliance & e-Filings Search" tab, then select the link labeled "Existing Non-Case e-Filing Search", and then select "Ordered Submission" from the "Submission Subtype" tab;
 - h. MAWC shall file a five-year capitalization expenditure schedule in future finance cases; and,
 - i. The Commission's grant of authority herein shall expire three years from the effective date of this order.
- 3. This order will become effective on February 23, 2025.
 - 4. This file shall be closed on February 24, 2025.



BY THE COMMISSION

Nancy Dippell

Nancy Dippell
Secretary

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

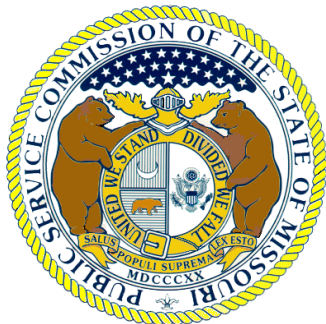
Hatcher, Senior Regulatory Law Judge

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 13th day of February 2025.



Nancy Dippell

Nancy Dippell
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

February 13, 2025

File/Case No. WF-2025-0150

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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.