

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

In the Matter of the Application of                    )  
Missouri-American Water Company            )     **Case No. WF-2026-0311**  
For Authority to Issue up to \$750,000        )  
Of Long-term, Unsecured Debt                )

**STAFF’S RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission (“Staff”), by and through its undersigned attorney, and, pursuant to the Commission’s order dated May 12, 2026, respectfully submits its Recommendation:

1. On May 7, 2026, Missouri-American Water Company (“MAWC”) submitted an application, pursuant to Section 393.200, RSMo., and 20 CSR 4240-2.060, and 10.125, requesting authorization to issue up to \$750 million in long-term debt. MAWC also requested waiver of the 60-day notice requirement under Commission Rule 20 CSR 4240-4.017.

2. By order issued on May 12, 2026, the Commission Staff to file a Recommendation regarding MAWC’s application by June 22, 2026.

3. MAWC is a Missouri corporation with its principal office and place of business at 727 Craig Road, St. Louis, Missouri 63141. MAWC is a Missouri Corporation in good standing.

4. MAWC currently provides water service to approximately 486,000 customers and sewer service to approximately 24,000 customers around the State of Missouri. MAWC is a “water corporation”, a “sewer corporation” and a “public utility” as those terms

are defined in Section 386.020, RSMo., and is subject to the jurisdiction and supervision of the Commission as provided by law.

5. Applicant has no pending actions or final unsatisfied judgments or decisions against it from a state or federal agency that involves customer service or rates, which action has occurred within three (3) years of the date of its Application.

6. Applicant has no annual reports or assessment fees overdue or unpaid.

7. Based on its investigation, as outlined in the attached Appendix A, Staff recommends that the Commission grant Conditional Approval of MAWC's Application, subject to the Comments and recommended Conditions expressed therein.

**WHEREFORE**, Staff prays that the Commission accept this Recommendation and resolve this complaint accordingly; and for any further orders as are appropriate and necessary in the circumstances.

Respectively Submitted,

/s/ Douglas W. Hennon

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#### **CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to counsel of record as reflected on the certified service list maintained by the Commission in its Electronic Filing Information System this 18<sup>th</sup> day of June, 2026.

/s/ Douglas W. Hennon

## MEMORANDUM

**TO:** Missouri Public Service Commission Official Case File  
Case No. WF-2026-0311, Missouri-American Water Company

**FROM:** Johnny Garcia, Financial Analysis Department

/s/ Seoung Joun Won, PhD 06/22/2026  
Financial Analysis Department / Date

**SUBJECT:** Staff Recommendation concerning the Application of Missouri-American Water Company (“MAWC,” “Company,” or “Applicant”), for Authority to engage in a variety of unsecured debt financings with American Water Capital Corporation (“AWCC”), during an approximately three (3) year period and not to exceed an aggregate principal amount of Seven Hundred Fifty Million Dollars (\$750,000,000).

**DATE:** June 22, 2026

1. (a) **Type of Issue:** Unsecured promissory notes with AWCC, issued in one or more series evidencing up to \$750 million.<sup>1</sup>
- (b) **Amount:** Up to \$750,000,000.<sup>2</sup>
- (c) **Rate:** The interest rate for notes evidencing New Long-Term Debt, including any applicable discounts, will bear interest at a rate consistent with similar securities of comparable credit quality and maturities issued by other companies.<sup>3</sup> When AWCC borrows from the public markets, the rate paid by MAWC is the same as the rate paid by AWCC.<sup>4</sup> The interest rates of the borrowings are not known at this time.<sup>5</sup>
- (d) **Other Provision:** The maturities will not exceed fifty (50) years at market interest rates.<sup>6</sup>
2. **Proposed Date(s) of Transaction:** There is no specific transaction date contemplated at this time,<sup>7</sup> however, the application is anticipated to cover any unsecured debt issuances during an approximate three (3) year period following the

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<sup>1</sup> Paragraph 13, The Application.

<sup>2</sup> Ibid.

<sup>3</sup> Paragraph 15, The Application; Staff Data Request No. 0018.

<sup>4</sup> Staff Data Request No 0017.

<sup>5</sup> Staff Data Request No. 0018.

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

<sup>7</sup> Staff Data Request No. 0002.

effective date of an order approving the Applicant's proposed financing in this case extended to December 31, 2029.<sup>8</sup>

3. (a) **Statement of Purpose of the Issue:** The applicant plans to use the proceeds from the new long-term debt and funds from the finance facility for several purposes, including acquiring property, constructing or improving facilities, making other capital investments, and maintaining or improving public water supply and wastewater services. The funds will also be used to discharge or refinance existing debt, and to reimburse the treasury for previous expenses. Additionally, some of the proceeds will replace maturing long-term debt and short-term borrowings accrued during the financing plan period.<sup>9</sup> At this time it is unknown which portion of the long-term debt issuances will go toward the replacement of short-term debt with permanent, long-term financing.<sup>10</sup>

(b) **From a financial perspective, does Staff deem this Statement of Purpose of the Issue reasonable?**

Yes, with Staff's recommended conditions as indicated below on pages 5, 6, & 7.

4. **Copies of executed instruments defining terms of the proposed securities:**

No, the proposed securities have not been executed yet.<sup>11</sup>

5. **Certified copy of resolution of the directors of Applicant, or other legal documents authorizing the issuance of the securities reviewed:**

Yes.<sup>12</sup>

6. **Pro-forma Balance Sheet and Income Statement reviewed:**

Yes.<sup>13</sup>

7. **Capital expenditure schedule reviewed:**

Yes.<sup>14</sup>

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<sup>8</sup> Paragraph 12, the Application.

<sup>9</sup> Paragraph 20, The Application.

<sup>10</sup> Staff Data Request 0006.

<sup>11</sup> Appendix 1, The Application.

<sup>12</sup> Appendix 2, The Application.

<sup>13</sup> Staff Data Request 0001.

<sup>14</sup> Appendix 6, The Application; Staff Data Request 0016.

**8. Journal entries required to be filed by Missouri-American Water to allow for the Fee Schedule to be applied:**

Currently the issuance amount of new long-term debt is unknown, therefore, there is no current anticipated fee schedule.<sup>15</sup> The Applicant states its Supplemental Report of Financing Activity will include a statement identifying the portion of the issuances of long-term indebtedness that are subject to the fee schedule set forth in § 386.300 RSMo., in accordance with 20 CSR 4240-10.125(1)(F).<sup>16</sup> The report will be available when the new long-term debt is issued.

**9. Recommendation of the Staff:**

Conditional Approval recommended (see Comments and Recommended Conditions below).

**COMMENTS:**

MAWC, a wholly-owned subsidiary of American Water Works Company (“AWWC”), is a Missouri corporation with its principal office and place of business at 727 Craig Road, St. Louis, Missouri 63141.<sup>17</sup> The Applicant provides water service to approximately 486,000 customers and sewer service to approximately 24,000 customers in several counties throughout State of Missouri.<sup>18</sup>

On May 7, 2026, MAWC submitted an application requesting approval to enter into a variety of unsecured debt financings with AWCC, not to exceed an aggregate principal amount of \$750 million,<sup>19</sup> by signing promissory notes not to exceed 50 years.<sup>20</sup> The Applicant proposes to use the net proceeds from the loans for the acquisition of property; the construction, completion, extension or improvement of Applicant’s plant or system; the improvement or maintenance of its service; or 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 maturing or other long-term debt at market rates and replace short-term borrowings.<sup>21</sup>

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<sup>15</sup> Staff Data Request 0003.

<sup>16</sup> Paragraph 25-26, The Application.

<sup>17</sup> Paragraph 1, The Application.

<sup>18</sup> Paragraph 2, The Application.

<sup>19</sup> Paragraph 13, The Application.

<sup>20</sup> Paragraph 15. The application.

<sup>21</sup> Paragraph 20, The Application.

MAWC's total five-year capital expenditure plan totaling [REDACTED] \*\*, <sup>22</sup> is greater than the amount of the proposed financing. This total expenditure amount is divided between Recurring Projects and Investment Projects; \*\* [REDACTED] \*\*, <sup>23</sup>, respectively.

Staff applies the "not detrimental to the public interest" standard to financing applications. In reviewing requests for issuing financing, Staff analyzes the requested amount as it relates to the stated uses to ensure that the amount requested is reasonable, and that it generally supports long-term capital investment.

Important in Staff's analysis of stated uses is determining whether the stated uses match the allowable purposes of investment in long-term capital, improvement and maintenance of service, and refunding of maturing short-term and or long-term obligations used for allowable purposes.<sup>24</sup> Staff has verified that MAWC's future capital expenditures support the need to obtain additional debt financing.<sup>25</sup> MAWC's 2026 total projected capital expenditures total just over \*\* [REDACTED] \*\*, equating to roughly \*\* [REDACTED] \*\* of expenditures per month.<sup>26</sup> Having a total five-year capital expenditure plan of \*\* [REDACTED] \*\*, the requested long-term debt of \$750,000,000 represents \*\* [REDACTED] \*\* of the total.<sup>27</sup>

Staff analyzed the potential pro forma impact of the requested financing on the Company's capital structure by examining the effect of MAWC's proposed debt issuance on its balance sheet as of March 31, 2026. The resulting projected capital structures are shown below.<sup>28</sup>

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<sup>22</sup> Appendix 6, The Application; Staff Data Request 0016.

<sup>23</sup> Ibid.

<sup>24</sup> The allowable purposes of long-term financing authorization authorized by statute, Section 393.200.1, are listed in page 9 of Report and Order, issue date June 16, 2010, of case No. GF-2009-0450.

<sup>25</sup> Appendix 6, The Application; Staff Data Request No. 0016, Attachment 4.

<sup>26</sup> Ibid.

<sup>27</sup> Ibid.

<sup>28</sup> Staff Data Request No. 0008.

	<b><u>As of March 31, 2026,</u></b>	<b><u>Pro Forma</u></b>
Common Equity	51.64%	49.19%
Long Term Debt	48.36%	50.81%

The impact of the issuance of the proposed long-term debt on MAWC’s balance sheet is an increase of long-term debt of 2.45% in MAWC’s capital structure. MAWC’s pro forma showed shifts in both common equity and long-term debt. The shifts were caused by the projected long term debt and assumed increases in a combination of retained earnings and equity infusions. This amount maintains MAWC’s historical capital structure of approximately 50% equity and 50% debt.<sup>29</sup> The impact of the proposed issuance on MAWC’s financial risk appears manageable.

Staff also analyzed the pro forma impact on MAWC’s financial ratios such as the company’s Debt to Capital ratio, the company’s Debt to earnings before interest, taxes, depreciation and amortization (“EBITDA”) ratio, and its percentage of funds from operations (“FFO”) to Debt. The debt to capital changed from \*\* [REDACTED] \*\*<sup>30</sup> which would be classified as a shift from “Significant “ to “Aggressive”. The Debt to EBITDA changed from \*\* [REDACTED] \*\*<sup>31</sup> which are both graded as “Highly Leveraged”. FFO to Debt also changed from \*\* [REDACTED] \*\*<sup>32</sup> which is classified “Aggressive”.<sup>33</sup> In the pro forma financial risk profile analysis, there was an insignificant change to each financial benchmark.<sup>34</sup>

Based on its review of the Application and supporting testimony, Staff understands that the requested financing would be used for purposes permitted under §393.200 RSMo. Specifically, the financing would support the acquisition of property, improvements to the Applicant's plant or system, the maintenance and improvement of service, reimbursement of certain expenditures from income, and the refinancing or replacement of existing indebtedness. Accordingly, Staff concludes that the requested financing is consistent with the statutory purposes set forth in §393.200 RSMo.

Financing will be at market rates, and customers will benefit from lower debt issuance costs due to the economies of scale provided by AWCC.<sup>35</sup> For these reasons, Staff concludes that

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<sup>29</sup> Staff Data Request No. 0019.

<sup>30</sup> Appendix 4, The Application; Staff Data Request No. 0016, Attachment 2.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

<sup>33</sup> All criteria for rating financial ratios came from RatingsDirect, Methodology: Business Risk/Financial Risk Matrix Expanded.

<sup>34</sup> Appendix 4, The Application; Staff Data Request No. 0016, Attachment 2.

<sup>35</sup> Staff Data Request No. 0014.

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 MAWC in this case subject to the following conditions:

1. That nothing in the Commission's order shall be considered a finding by the Commission regarding the value of this transaction for rate-making purposes, and that the Commission reserves the right to consider the ratemaking 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 variety of secured debt financings with AWCC in an aggregate principal amount not to exceed Seven Hundred Fifty Million Dollars (\$750,000,000).
3. 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 herein, will be used for such purposes, and is not reasonably chargeable in whole or in part, to operating expense or to income, as required by Section 393.200 RSMo;
4. That the Company shall file with the Commission within thirty (30) days following the issuance of any financing authorized pursuant to a Commission order in this proceeding, a report identifying: (a) the amount of long-term debt issued; (b) the date of issuance; (c) the interest rate, including the initial rate if variable; (d) the general and special terms of the financing, if any; (e) the use of proceeds; and (f) the estimated issuance expenses. The Company shall also provide the analysis performed to determine that the terms and conditions of the financing were reasonable and appropriate at the time of issuance, including, but not limited to, indicative pricing information obtained from investment banks or other financing sources;

5. 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. 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 have;
6. That the Company shall file with the Commission copies of any final written communications or reports with credit rating agencies concerning any financing issuance authorized in this proceeding;
7. 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 published credit rating agency reports concerning MAWC’s or AWWC’s corporate credit quality or the credit quality of their securities;
8. That the Company shall file a five-year capital expenditure schedule in any future finance case applications filed with the Commission; and,
9. That the authority granted by the Commission in this proceeding shall expire three years from the effective date of the Commission’s order.

