

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY

January 27, 1993

CASE NO. WF-93-57

Gregory D. Williams, Williams & Henderson, P.O. Box 431 Sunrise Beach,
MO 65079

Enclosed find certified copy of ORDER in the above-numbered case(s).

Sincerely,

Brent Stewart

Brent Stewart
Executive Secretary

Uncertified Copy:

Office of the Public Counsel, P.O. Box 7800, Jefferson City, MO 65102

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 27th
day of January, 1993.

In the matter of the application of Osage Water)
Company for permission and approval to issue) CASE NO. WF-93-57
unsecured indebtedness.)

ORDER APPROVING FINANCING

On August 31, 1992, Osage Water Company (OWC) filed an application with the Commission for approval to issue unsecured indebtedness consisting of three unsecured notes in the principal face amount of \$7,500 each, the proceeds of which are to be used for construction of a water well and water main to service a Shoney's restaurant located in the Osage Beach North service area of OWC. OWC has received a Contribution in Aid of Construction from Shoney's, Inc. in the amount of \$40,000 for purposes of this proposed construction project. In addition, OWC states that there are numerous residential and commercial facilities adjoining and in the immediate vicinity of the proposed facility.

The Commission Staff (Staff) filed its recommendation in this matter on January 15, 1993, recommending that the Commission approve this financing proposal, but with substantial reservation, based largely on the current capital structure of OWC. As the result of a recent reorganization, and after the issuance of the proposed \$22,500 of long-term debt, the overall debt-to-equity ratio will be 20.77 percent debt to 79.23 percent equity. In addition, the Staff stated the preferred stock ratio is 146.41 percent while the common stock ratio is -67.18 percent. Staff states that the negative common stock position results from the recent reorganization costs. As a result, however, Staff states the following:

"(The Financial Analysis Department) cautions the Commission to note the excessive amounts of preferred stock equity in the Company's proposed capital structure and further notes that it would be appropriate to use an imputed capital structure for ratemaking purposes, until such future time when the OWC capital structure falls more in line with industry standards."

In regard to this particular proposed transaction, Staff states that the notes to be issued will be held by three individuals who are currently equal shareholders of all of the outstanding Class A common stock of OWC. Staff states that it does feel that the terms of the proposed notes are reasonable, calculating that, including annual revenue from Shoney's, net revenue of at least \$1,232.04 to contribute to OWC's net income should result. The Staff concludes that the issuance of the proposed financing should not be detrimental to OWC or its ratepayers and recommends approval.

The Commission, upon consideration of the application, exhibits, and Staff's recommendation, determines that a hearing is unnecessary in this matter and finds as follows.

The Commission finds that the proposed financing is reasonable even though Staff has expressed a reservation concerning the capital structure of OWC. The terms of the notes appear reasonable based upon Staff's analysis and OWC should have sufficient revenue to ensure payment. Since Staff recommends approval of the financing even though it considers the capital structure unusual, the Commission need not address that issue in this order. Additionally, the Commission finds that the purposes to which the financing is to be applied are or have been reasonably required for the purposes specified in this order and such purposes are not, in whole or in part, reasonably chargeable to operating expenses or income.

IT IS THEREFORE ORDERED:

1. That Osage Water Company is hereby authorized to issue three unsecured notes in the principal face amount of \$7,500, each bearing an interest

rate of 10 percent per annum, payable in equal monthly installments of \$99.11 each, to David L. Hancock, William P. Mitchell, and Gregory D. Williams in the form as set out in Exhibit A of the application.

2. That Osage Water Company is hereby authorized to do and to perform or cause to be done and performed all such other acts and things, as well as to make, execute, and deliver any and all documents necessary, advisable, or proper to the end that the intent and purposes of this financing may be fully effectuated.

3. That nothing in this order shall be considered a finding by the Commission of the ratemaking treatment to be accorded this transaction or the reasonableness of the acquisition and/or construction of facilities which have or will occur as the result of this financing.

4. That within sixty (60) days from the closing of the transaction authorized herein, Osage Water Company shall file a verified report with the Commission reflecting all journal entries recording the creation and evidence of this indebtedness and all journal entries reflecting the use of the proceeds from the creation of this indebtedness, which report will be verified by the appropriate Osage Water Company official.

5. That this Order shall become effective on the 9th day of February, 1993.

BY THE COMMISSION

Brent Stewart

Brent Stewart
Executive Secretary

(S E A L)

McClure, Chm., Mueller, Rauch,
Perkins, and Kincheloe, CC., Concur.

Dequere - Riley

CASE NO. WF-93-57

WJL
Chairman

am
Commissioner

WCP
Commissioner

Ed
Commissioner

5-0AS
Commissioner

3-1584

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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 27th
day of January, 1993

Brent Stewart

Brent Stewart
Executive Secretary