

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY
March 17, 1998

CASE NO: EF-98-120

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

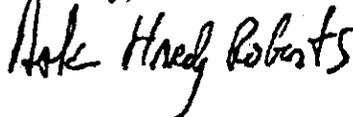
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Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Myron W. McKinney
Empire District Electric Company
602 Joplin Street
Joplin, MO 64801

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

Sincerely,



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

Uncertified Copy:

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 17th
day of March, 1998.

In the Matter of the Application of)
The Empire District Electric Company)
for Authority to Issue and Sell under)
Its Existing Indenture of Mortgage and)
Deed of Trust Dated as of September 1,)
1944, as Amended and Supplemented, up)
to and Including \$80,000,000 Principal)
Amount of its First Mortgage Bonds, in)
One or More Series and to, among Other)
Things, Execute and Deliver a)
Supplemental Indenture or Indentures to)
Provide for the Terms of Said Bonds.)

Case No. EF-98-120

ORDER APPROVING FINANCING

On September 16, 1997, The Empire District Electric Company (Empire or Company) filed an application requesting authority to issue and sell under its existing Indenture of Mortgage and Deed of Trust dated September 1, 1944, as amended and supplemented, up to and including \$80,000,000 principal amount of its First Mortgage Bonds, in one or more series, and to execute and deliver a Supplemental Indenture or Indentures to provide for the terms of the bonds.

On January 20, 1998, the Staff of the Commission (Staff) filed its memorandum in which Staff recommended that the Commission approve the application. Since no one has requested to intervene in this case, and since there are no requests for a hearing, the Commission determines that no hearing is necessary. State ex rel. Rex Deffenderfer Enterprises, Inc. v Public Service Commission, 776 S.W.2d 494, 496 (Mo. App. 1989).

Empire states in the application that because the market for the bonds is constantly changing, Empire cannot forecast the interest rates, terms of payment of interest, maturity, redemption, and sinking fund provisions of the bonds, if any. Therefore, these terms and conditions shall be determined by Empire at the time of the sale. Empire indicates that the maturities of the various bonds are anticipated to be between 9 months and 35 years, but in no event will exceed 35 years; that the interest cost of the bonds, including any applicable discounts, will not exceed 2.00 percentage points above the yield on 30-year U.S. Government Treasury Bonds as published in The Wall Street Journal on the day prior to the date on which the terms and conditions of the bonds are determined; and that a document setting forth the aggregate principal amount to be sold, price information and certain other terms and provisions concerning each issuance of bonds will be filed with the Commission as needed.

The application alleges that the Commission is without jurisdiction under state law to regulate the issuance of stocks, bonds, notes or other evidences of indebtedness of public utilities such as Empire which are organized and existing under or by virtue of the laws of a state other than Missouri. Empire states that the Commission's sole basis of jurisdiction in this case is the creation by Empire of a lien or encumbrance on its Missouri properties to secure payment of bonded indebtedness. Therefore, Empire seeks approval from the Commission to mortgage its Missouri properties to secure the bonds.

Empire states that the net proceeds from the sale of each series of bonds will be added to Empire's general funds for use in connection with the acquisition of property, the construction, completion or improvement of its plant or system, or the improvement or maintenance of service, or the discharge or lawful refunding of its obligations, or the

reimbursement of monies actually expended from income or any other moneys in the treasury not secured or obtained from the issuance of stocks, bonds, notes or other evidences of indebtedness; that Empire contemplates that the proceeds from the sale of each series of bonds will be used to provide financing for its construction program, to refinance outstanding indebtedness, including the payment of applicable redemption premiums, and for other corporate purposes; that refinancing of long term indebtedness will be done only where doing so will result in a lower or no additional net annualized interest cost to Empire. Empire states that the money, property or labor to be procured or paid for by the issuance and sale of the bonds is reasonably required for the purposes specified in the application and that such purposes are not in whole or in part reasonably chargeable to operating expense or income. Empire indicates that a statement of the portion of issuance of bonds which is subject to the fee schedule in Section 386.300.1(5), RSMo 1996, as amended, will be late filed as needed.

Staff states that the terms set forth in the application are reasonable. In Staff's opinion the proposed financing would improve Empire's financial position and would not have a negative impact on the Company's credit worthiness or its ability to attract new capital. Staff reviewed the pro forma financial statements submitted with the application and reported that the stated bond issues will have the effect of decreasing short-term debt from 15.71 percent to 10.45 percent and increasing long-term debt from 35.16 percent to 38.98 percent, increasing preferred stock from 5.89 percent to 6.12 percent, and increasing common stock from 43.24 percent to 44.45 percent. Staff's ratio analysis reveals that Empire's Pre-Tax Interest Coverage Ratio, Funds From Operations to Interest Coverage Ratio and Funds From Operations to Total Debt Ratio are increased with the

pro forma adjustments. Staff reports that the Total Debt to Total Capital Ratio decreases from 51 percent to 49 percent which is an improvement.

Staff recommends that the Commission approve the application subject to the following conditions: (1) that Empire file with the Commission the final terms and conditions, including the aggregate principal amount to be sold, price information, estimated expenses and portion subject to the fee schedule, concerning each issuance of bonds; (2) that Empire file with the Commission any information concerning communication with credit rating agencies concerning this debt; (3) that Empire file with the Commission any information concerning deviations from their stated use of the funds from the bond issuances that would materially change the pro forma capitalization and financial ratios; and (4) that Empire file with the Commission any information concerning use of the funds from the bond issuances with regard to redemption of any outstanding long-term debt, including Net Present Value calculations indicating the amount of interest cost savings.

The Commission has reviewed the application filed by Empire and the Staff's memorandum. The Commission finds that the proposed bond issuance would improve Empire's financial position and would not have a negative impact on the Company's credit worthiness or its ability to attract new capital. The Commission finds that the application should be approved subject to the conditions recommended by Staff. The Commission further finds that the money, property or labor to be procured or paid for by the issuance and sale of the bonds is reasonably required for the purposes specified in the application and that such purposes are not in whole or in part reasonably chargeable to operating expense or income.

The Commission determines that the aggregate principal amount of all series of the new bonds shall not exceed \$80,000,000, bearing

interest, including any applicable discount, at a rate not greater than 2.00 percentage points above the yield on 30-year U.S. Government Treasury Bonds as published in The Wall Street Journal on the day prior to the date on which the terms and conditions of the Bonds are determined, having a maturity not less than 9 months and not more than 35 years. The Commission determines that Empire shall file with the Commission the final terms and conditions of the financing, including the aggregate principal amount to be sold, price information, estimated expenses and portion subject to the fee schedule, concerning each issuance of Bonds authorized in this order. The Commission determines that Empire shall file with the Commission the redemption and sinking fund provisions, if any, of the bonds and other terms and provisions as shall be determined by Empire and set forth in the Supplemental Indenture relating to such series of Bonds.

IT IS THEREFORE ORDERED:

1. That the application filed by The Empire District Electric Company on September 16, 1997, is approved.

2. That The Empire District Electric Company is authorized to create one or more new series of its First Mortgage Bonds under its Indenture of Mortgage and Deed of Trust to Harris Trust and Savings Bank and State Street Bank and Trust Company of Missouri, N.A., trustees, dated as of September 1, 1944, as amended and supplemented, including by the First through Twenty-Eighth Supplemental Indentures and to be amended and supplemented, including by a Supplemental Indenture for each new series of Bonds, as provided in this order, provided that the aggregate principal amount of all such series shall not exceed \$80,000,000.

3. That The Empire District Electric Company is authorized to execute and deliver to Harris Trust and Savings Bank and State Street Bank and Trust Company of Missouri, N.A., as trustees, a Supplemental

Indenture with respect to each such series of Bonds, each to be dated on or prior to the date of the initial issuance of any Bonds of the series of Bonds to which such Supplemental Indenture relates, supplemental to the Indenture of Mortgage and Deed of Trust dated as of September 1, 1944, in substantially the form of the Supplemental Indenture filed as an exhibit to Appendix 4 on September 16, 1997.

4. That The Empire District Electric Company is authorized to issue and sell and deliver in one or more new series, at such time, or from time to time, its Bonds in such amounts as Empire shall elect, which in the aggregate shall not exceed \$80,000,000 principal amount, to obtain the authentication and delivery of the Bonds by the principal trustee in any manner permitted by the Indenture of Mortgage and Deed of Trust dated as of September 1, 1944, as amended and supplemented, including by the First through Twenty-Eighth Supplemental Indentures and as to be amended and supplemented, and to use the net proceeds of the sale or sales of the Bonds for the purposes hereinabove stated.

5. That The Empire District Electric Company is authorized to create and make effective the lien of the Indenture of Mortgage and Deed of Trust, dated as of September 1, 1944, as amended and supplemented, including by the First through Twenty-Eighth Supplemental Indentures, and as to be amended and supplemented, including by a Supplemental Indenture for each new series of Bonds, on the property of The Empire District Electric Company in the State of Missouri to secure each new series of Bonds.

6. That The Empire District Electric Company is authorized to amortize the expenses incident to the sale or sales of the Bonds described in this order over the respective life or lives thereof.

7. That The Empire District Electric Company is authorized

to execute, enter into, deliver and perform any agreements, and to do any and all other things not contrary to law or to the rules of the Commission incidental, necessary or appropriate to carry out the financing authorized by this order.

8. That The Empire District Electric Company shall file with the Commission the final terms and conditions, including the aggregate principal amount to be sold, price information, estimated expenses and portion subject to the fee schedule, concerning each issuance of Bonds authorized in this order within ten days of execution.

9. That The Empire District Electric Company shall file with the Commission any information concerning the communication of The Empire District Electric Company with credit rating agencies concerning the debt authorized in this order within ten days of transmitting the aforesaid information.

10. That The Empire District Electric Company shall file with the Commission any information concerning deviations from their stated use of the funds from the bond issuances that would materially change the pro forma capitalization and financial ratios as described in the memorandum filed by the Staff of the Commission on January 20, 1998.

11. That The Empire District Electric Company shall file with the Commission any information concerning use of the funds from the bond issuance authorized in this order with regard to redemption of any outstanding long-term debt, including Net Present Value calculations, indicating the amount of interest cost savings.

12. That nothing in this order shall be considered a finding by the Commission of the reasonableness of the expenditures involved in this financing transaction or of the value, for ratemaking purposes, of the properties involved, or as an acquiescence in the value placed upon those

properties by the Company. The Commission reserves the right to consider the ratemaking treatment to be afforded this financing transaction, and its resulting cost of capital, in any later proceeding.

13. That this order shall become effective on March 27, 1998.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Crumpton, Murray,
and Drainer, CC., concur.

G. George, Regulatory Law Judge

ALJ/Sec'y: George Boyce

3-11
Date Circulated

EF-98-120
CASE NO.

[Signature]
Lumpé, Chair

[Signature]
Crumpton, Commissioner

[Signature]
Murray, Commissioner

[Signature]
Commissioner
Drainer, Vice-Chair

3-17
Agenda Date

Action taken: 4-OAS

Must Vote Not Later Than _____

**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 17th day of March, 1998.**



Dale Hardy Roberts
**Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge**