

LOUISIANA PUBLIC SERVICE COMMISSION

ORDER NUMBER S-35875

GREATER OUACHITA WATER COMPANY, EX PARTE

Docket No. S-35875, In re: Request for a Letter of Non-Opposition to the Issuance of Secured Line of Credit.

(Decided at the April 14, 2021 Business and Executive Session.)

Overview

On February 18, 2021, Greater Ouachita Water Company (“GOWC” or the “Company”) filed the above captioned request (the “Request”) pursuant to Louisiana Public Service Commission (“LPSC” or “Commission”) General Order dated March 18, 1994 (the “March 1994 General Order”). The Request sought the Commission’s authorization for GOWC to enter into a secured loan with Regions Bank (“Regions” or the “Lender”) in the amount of five-million (\$5,000,000.00) dollars. These loan funds will generally enable GOWC to finance the unfunded portion of the cost of necessary ground water plant included in GOWC’s Capital Improvement Plan (“CIP”). Specifically, the funds will allow GOWC to complete construction of a Water Production and Treatment Project for its Northeastern service area which requires the drilling of seven new water wells and installation of five carbon filtration systems. (“CIP Project 13”) The Request was published in the Commission's Official Bulletin #1239 on February 19, 2021, for a fifteen (15) day intervention period. No interventions were received during, or subsequent to, the intervention period.

CIP Project 13 was added to GOWC’s CIP after the conclusion of its last rate proceeding (Docket No. U-34865), and was first included in GOWC’s semi-annual CIP monitoring reports for December 2019. As reported in the most recent semi-annual report in December 2020, the total cost of CIP Project 13 is estimated to be approximately thirteen-million (\$13,000,000.00) dollars. Funding in the amount of seven million three hundred sixty-eight thousand two hundred sixty-five (\$7,368,265.00) dollars from GOWC’s Series 2019 Bond Indenture (authorized by the Commission in Order No. U-34865-A) is available to GOWC to use toward CIP Project 13. In order to complete the project, GOWC is seeking to borrow funds from Regions Bank in the amount of five million (\$5,000,000.00) dollars. The loan will be structured as an eighteen (18) month interest only draw down loan converting to a one hundred and two (102) month fully amortizing term loan after the initial draw-down period. GOWC anticipates that it will make the loan drawdowns at closing in April 2021, September 2021, December 2021, and March 2022. The loan will bear interest at a taxable rate of 3.49% per annum through the maturity date.

GOWC is a non-profit jurisdictional public utility, in good standing, incorporated in the City of Monroe, Parish of Ouachita, State of Louisiana, by instrument dated May 30, 1963. GOWC provides water and wastewater services, including potable water production, treatment, storage, and distribution and water collection, transport. and treatment to approximately 20,847 residential customers and 1,097 commercial customers. GOWC’s principal place of business is located at 401 Thomas Road Suite 5, West Monroe, Louisiana 71291.

Jurisdiction and Applicable Law

The Commission exercises regulatory jurisdiction over all utility companies, including GOWC, pursuant to Article 4. Section 21, of the Louisiana Constitution and applicable Commission Orders adopted pursuant to that authority.

La Const. Art. IV, Sec. 21 provides in pertinent part:

The commission shall regulate all common carriers and public utilities and have such other regulatory authority as provided by law. It shall adopt and enforce reasonable rules, regulations, and procedures necessary for the discharge of its duties. and perform other duties provided by law.

Approval of this transaction is specifically required pursuant to the Commission's General Order dated November 13, 1996. In particular, the General Order states, at Item Number 1:

No public utility shall issue any security or assume any obligation or liability as guarantor, endorser, surety, or otherwise in respect of any security of any other public utility, or of any other person, until it has been authorized to do so by Order of this Commission.

Further, under Item Number 5 of the same Order,

This General Order does not modify in any manner the General Order issued by this Commission dated 3/18/94 related to Commission approval of sales, leases, etc. Any security issuance that requires a utility to sell, assign, lease, transfer, mortgage, or otherwise dispose of or encumber the property or assets of the utility must be approved by the Commission under the standards set forth in the 3/18/94 General Order as well.

Approval of this transaction is specifically required pursuant to the Commission's General Order dated March 18, 1994, as the loan terms require a pledge of assets of the Company to secure the loan funds.

Staff Review and Recommendation

Staff conducted a thorough review of GOWC's Request and all supporting documentation including the Company's analysis of the 18 public interest factors of the March 1994 General Order. The terms and conditions of the proposed financing agreement with Regions requires GOWC, as the borrower, to maintain several financial conditions. GOWC provided Audit Staff with detailed financial statements in support of its Request. GOWC meets the necessary financial metrics required for the loan process by the lender. The loan guarantee will be secured by a previously executed Restated Mortgage and Security Agreement entered into by GOWC and the lender. The Commission previously expressed its non-opposition to this securitization in Order No. U-34865 dated April 8, 2019. GOWC further indicated that there will be no associated transfer of assets.

Based on the foregoing, Staff concurs that the transaction is in the public interest and will have no adverse effect on the Company's ability to provide safe and reliable water and wastewater service. Accordingly, Staff filed its *Staff Report and Recommendation* on March 30, 2021, recommending the Commission express its non-opposition to the Request subject to certain conditions.

Commission Consideration

This matter was considered by the Commission at its April 14, 2021 Business and Executive Session. On motion of Commissioner Campbell, seconded by Chairman Greene, and unanimously adopted, the Commission voted to accept the *Staff Report and Recommendation* filed March 30, 2021, expressing its non-opposition to the Company's Request and authorizing Greater Ouachita Water Company to enter into a secured loan agreement with Regions Bank in the amount of five million (\$5,000,000.00) dollars, subject to conditions.

IT IS THEREFORE ORDERED THAT:

The Commission hereby expresses its non-opposition to the loan agreement subject to the following conditions:

1. The Company shall file into the record of this proceeding a copy of the signed loan agreement, outlining the final terms and conditions, within thirty (30) days of the loan closing date.
2. Should the loan agreement be modified in any way prior to issuance of funds, the newly revised agreement shall be filed into the record of this proceeding no later than fifteen (15) days after such modification.
3. If the signed loan documents have not been filed within ninety (90) days of an Order in this proceeding, the Company, must file a status update into the record on or before ninety (90) days from the date of an Order. The Commission reserves the right to rescind its non-opposition if the loan documents are not filed within ninety (90) days of the date of an Order in this proceeding.
4. The Company shall file a report twice a year, on or before January 31 and July 31, to update the status of the CWP implementation and include the total amount budgeted from the report, the total amount spent, the remaining totals for work to be done, and a timeline for completion of that work.
5. This non-opposition is granted without prejudice to the authority of the Commission to make investigations and require any reasonably necessary change that the Commission may legally find to be in the public interest.

This order is effective immediately.

**BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA**

April 21, 2021



A handwritten signature in blue ink, appearing to read "Brandon M. Frey".

**BRANDON M. FREY
SECRETARY**

/S/ CRAIG GREENE

**DISTRICT II
CHAIRMAN CRAIG GREENE**

/S/ ERIC F. SKRMETTA

**DISTRICT I
VICE CHAIRMAN ERIC F. SKRMETTA**

/S/ FOSTER L. CAMPBELL

**DISTRICT V
COMMISSIONER FOSTER L. CAMPBELL**

/S/ LAMBERT C. BOISSIERE, III

**DISTRICT III
COMMISSIONER LAMBERT C. BOISSIERE, III**

/S/ MIKE FRANCIS

**DISTRICT IV
COMMISSIONER MIKE FRANCIS**