

Exhibit No.:
Issue(s): Acquisition Adjustment/
St. Joseph Water Treatment Plant Excess Capacity/
St. Joseph Retired Treatment Plant/
Main Incident Expense/
American Water Resources and Affiliated Transactions/
Security AAO/Advertising Expense
Witness: Kimberly K. Bolin
Type of Exhibit: Direct Testimony
Sponsoring Party: Public Counsel
Case Number: WR-2003-0500
Date Testimony Prepared: October 3, 2003

DIRECT TESTIMONY

OF

KIMBERLY K. BOLIN

Submitted on Behalf of
The Office of the Public Counsel

MISSOURI-AMERICAN WATER COMPANY

Case No. WR-2003-0500

October 3, 2003

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

In the Matter of Missouri-American Water)
Company for Authority to File Tariffs)
Reflecting Increased Rates for Water) Case No. WR-2003-0500
and Sewer Service.)

AFFIDAVIT OF KIMBERLY K. BOLIN

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Kimberly K. Bolin, of lawful age and being first duly sworn, deposes and states:

1. My name is Kimberly K. Bolin. I am a Public Utility Accountant for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony consisting of pages 1 through 34 and Schedules KKB-1 through KKB-9.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Kimberly K. Bolin
Public Utility Accountant I

Subscribed and sworn to me this 3rd day of October 2003.

Kathleen Harrison
Notary Public

My commission expires January 31, 2006.

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1 AMERICAN WATER RESOURCES AND AFFILIATED TRANSACTIONS

2 Q. DOES PUBLIC COUNSEL HAVE CONCERNS ABOUT THE AFFILIATED
3 TRANSACTIONS THAT ARE OCCURRING BETWEEN THE COMPANY AND IT
4 AFFILIATE AMERICAN WATER RESOURCE

5 A. Yes. Public Counsel is aware that American Water Resources (AWR) an affiliate of Missouri-
6 American Water Company is providing a water line protection program. This service is being
7 offered to customers in all of the Missouri American districts except for the St. Louis County
8 district. Notice of this service was sent to customers through the mail on Missouri-American Water
9 Company letterhead and signed by the president of Missouri-American Water Company. (See
10 Schedule KKB-8.

11 Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF HOW AFFILIATED
12 TRANSACTIONS CAN HAVE A DETRIMENTAL EFFECT ON THE RATEPAYERS.

13 A. An affiliated transaction is any transaction between two companies or operating divisions that also
14 have a corporate relationship. This relationship could include one firm being a subsidiary of the
15 other, both firm's stock being held by the same parent, or other various corporate relationships.
16 Transactions between affiliated companies may not be truly arms length transactions and this can
17 result in detriments to a utility's captive customers – the ratepayers.

18 The potential detrimental financial consequences for ratepayers stem from the distinct possibility
19 that the utility will use its monopoly position to extract higher rates from the captive or monopoly
20 ratepayers or use its monopoly advantage to stifle potential competitors in the unregulated industry.
21 The utility may also incur higher costs, thus producing higher rates, by purchasing goods or

1 services from the affiliated non-regulated entity at a price higher than the non-regulated entity's
2 competitor.

3 Any cross-subsidization that occurs between the regulated and non-regulated companies could
4 create an unfair advantage to the non-regulated affiliate. The Commission must ensure that any
5 transfer pricing and cost allocations that occur will adequately recover utility costs and prevent
6 cross-subsidization, it must also prevent anti-competitive consequences by ensuring that
7 confidential market sensitive information is not transferred between the utility and the non-regulate
8 affiliate.

9 Q. WHAT DO YOU MEAN WHEN YOU USE THE TERM ``CROSS-
10 SUBSIDIZATION'' ?

11 A. The term describes the transfer of goods and services, financial or non-financial, from the regulated
12 company to the non-regulated company at a price or cost below the actual cost to the regulated
13 company. When such an event occurs the regulated company does not receive compensation for the
14 goods or services equal to the actual costs of the goods or services. Such an event penalizes
15 ratepayers because the costs for which the regulated utility did not receive compensation from the
16 non-regulated affiliate, are likely to be passed on to the regulated utility's captive ratepayers as an
17 element of the regulated company cost of service when, in fact, ratepayers have already
18 compensated the utility for the costs.

19 Q. IF THE RATES CHARGED THE RATEPAYER ARE EQUAL TO THE COST THE
20 UTILITY INCURS, PLEASE EXPLAIN HOW THE RATEPAYERS COULD BE
21 CHARGED RATES HIGHER THAN APPROPRIATE RATES.

1 A. Purchases of goods or services by an affiliate company result in a revenue or any asset being
2 recorded on the utility company's financial records. The revenue or asset will offset the utility's
3 cost of producing the goods or services. However, if the price paid by the affiliate is below the
4 production cost of the good or service, the utility company must recover the difference elsewhere.
5 The customer most likely to make up the difference will be the regulated company's captive utility
6 customers.

7 Stated another way, there is the potential for a non-regulated affiliate to gain a competitive
8 advantage due to transfer pricing below fair market value. There is also the potential for excessive
9 use of utility services or property in a way that may diminish the quality of service or increase the
10 cost of service provided by the utility to the ratepayer.

11 Q. PLEASE EXPLAIN HOW A UTILITY COULD USE ITS MONOPOLY POSITION
12 TO STIFLE COMPETITION IN THE CERTAIN COMPETITIVE INDUSTRIES.

13 A. There are multiple ways, both direct and indirect, that a utility could adversely affect competition,
14 for example:

15 1. A utility would be able to give preferential treatment to an affiliate
16 company that supplies goods or services by not requiring a competitive
17 bidding process or allowing insider information on the bid process via
18 direct means of the use of common employees.

19 2. A utility could supply a marketing affiliate with data not normally
20 available to the affiliates competitors such as customer billing information
21 in either a direct means or through the use of common employees or other
22 access to the joint corporate records.

23 3. A utility and an affiliate could jointly advertise thereby allowing the
24 affiliate to utilize the goodwill that the monopoly utility has developed
25 over the decades it has served as a sole purpose provider of a ratepayer
26 funded basic service.

1 4. A utility could offer single billing for both its services and those of the
2 affiliate.

3 5. A utility could jointly market its services and those of the affiliate via the
4 customer service personnel.

5 6. A utility could allow an affiliate to utilize the brand name and logo of the
6 utility in conducting affiliates business.

7 Q. WHO HAS THE BURDEN OF DEMONSTRATING THE REASONABLENESS OF THE
8 COST OF AFFILIATED TRANSACTIONS?

9 A. The utility bears the responsibility to demonstrate the reasonableness of the revenues and costs
10 associated with affiliated transactions. Absent evidence of reasonableness such transactions cannot
11 be considered to be accomplished at arm's length. Such transactions should be subjected to close
12 scrutiny.

13 Q. IS PUBLIC COUNSEL OPPOSED TO AFFILIATED COMPANIES OF UTILITY
14 COMPANIES ENTERING COMPETITIVE BUSINESS SEGMENTS RELATED TO
15 THE WATER INDUSTRY?

16 A. Public Counsel does not believe that the Missouri Public Service Commission should allow affiliate
17 transactions absent well-defined rules and guidelines to insure that ratepayers are not adversely
18 effected as previously discussed. If affiliated transactions are allowed, rules must be put in place to
19 insure that competition flourishes in the areas of the water industry that are not regulated. Absent
20 viable competitors and the resulting service and price competition, customers will not benefit.
21 Public Counsel does believe that ratepayers will be best served and protected by either the
22 regulation of a monopoly provider or by introduction of true competition with multiple providers
23 thereby demonopolizing the industry. Ratepayers will not benefit from deregulation absent
24 demonopolization.

1 Q. DOES PUBLIC COUNSEL BELIEVE IT IS APPROPRIATE TO ADDRESS
2 AFFILIATED TRANSACTION RULES IN A COMPANY SPECIFIC
3 PROCEEDING?
4 A. Yes. The underlying concepts of any affiliated transaction rules designed to protect captive
5 monopoly ratepayers will not change. However, the implementation of these concepts may need to
6 be tailored to each regulated utility that embarks on unregulated activities. There are multiple
7 factors that could cause the need for tailoring the conceptual framework such as corporate structure,
8 lines of business, and location of businesses. Other factors that could influence decisions on the
9 necessary to protect ratepayers include; market share, incremental and fully allocated costs
10 determinations, and local, federal or state laws or regulations. Each utility that embarks into non-
11 regulated activities will probably not do so in exactly the same manner.
12

1 Q. PLEASE IDENTIFY SOME ``STANDARDS OF CONDUCT`` YOU WOULD
2 EXPECT THE COMPANY TO FOLLOW DURING ITS INTERACTIONS WITH ITS
3 NON-REGULATED AFFILIATES?

4 A. The following list though not exhaustive, identifies the types of safeguards OPC would expect to
5 see to protect ratepayers from abuse by Missouri-American and its non-regulated affiliates:

6 **I. Non-Discrimination Standard of Conduct:**

7 A. Affiliates should not be allowed to take advantage of the regulated utility's
8 brand recognition if (1) this causes an unfair and harmful competitive
9 advantage relative to existing or potential competitors, or (2) the regulated
10 utility's ratepayers have not been compensated for an affiliate's use of the
11 brand recognition which has resulted from allowing the utility to have an
12 exclusive franchise to service the market and funding of the utility's
13 monopoly operations by ratepayers.

14 B. MAWC shall maintain its books of account and records completely
15 separate and apart from those of its non-regulated affiliates.

16 C. Confidential public utility information should not be disclosed to,
17 transferred to, or shared with AWR without prior Commission approval,
18 and pursuant to any other applicable laws or regulations.

19 D. MAWC employees shall not disclose to AWR or any other market
20 participants any information about any customer in AWR's service area
21 unless the customer requests, in writing, that this information is released.

22 E. MAWC shall not provide "leads" to AWR and will refrain from giving the
23 appearance that MAWC speaks on behalf of AWR. MAWC will not
24 promote AWR to specific customers.

25 F. MAWC may not disclose to AWR or any other market participant
26 information such as:

27 1. Customer-specific information: names, addresses, names of
28 customers employees, usage history, non-tariff and competitive pricing
29 information, class and service schedules under which utility service is
30 provided, credit information, and similar customer-specific information
31 that is not generally available to the public, unless the customer authorizes
32 the release.

- 1 2. Information contained in any filing with the Commission under
2 confidentiality.
- 3 3. Information subject to a confidentiality agreement prohibiting
4 MAWC from disclosing the information to AWR.
- 5 4. Information the disclosure of which legal counsel has determined
6 would violate applicable laws and regulations.
- 7 G. MAWC and its employees shall not communicate with any customer,
8 supplier, or third party as to any advantage that may accrue to such
9 customer, supplier, or third party in the use of MAWC's services as a
10 result of the customer, supplier, or other third party dealing with AWR.

11 **II. Affiliate Transactions Standards of Conduct:**

12 MAWC shall not provide a financial or non-financial advantage to its non-regulated
13 affiliates. When MAWC does business with its affiliates, the following standards should
14 apply:

- 15 A. Financial transactions – MAWC shall be deemed to provide a financial
16 advantage to a non-regulated affiliate if:
 - 17 1. It buys goods or services from an affiliate above the lessor of
 - 18 a. Fair market price, or
 - 19 b. The cost to the regulated utility to provide the goods or services
20 for itself
 - 21 2. MAWC transfers goods or service of any kind (including, but not
22 limited to land, patents, employee's services, data processing,
23 research, training etc.) to an affiliate below the greater of:
 - 24 a. Fair market price, or
 - 25 b. The fully allocated cost to the regulated utility.
- 26 B. Non-financial transactions – MAWC shall be deemed to provide a non-financial
27 advantage to a non-regulated affiliate if:
 - 28 1. It provides any service to an affiliate company which is not made
29 available, on the same terms and conditions, to the affiliate's competitors.
 - 30 2. It provides planning, coordination, or design knowledge; customer
31 information,; or cooperation of any kind, to an affiliate company, which is
32 not available to the affiliate's competitors.

1 **III. Affiliated Transactions Evidentiary Standards:**

2 A. In any proceeding before the Commission in which any affiliate
3 transactions are at issue, MAWC shall bear the burden of persuasion.

4 B. MAWC shall present proof of the reasonableness of all affiliated
5 transactions.

6 C. MAWC shall provide for competitive bids which it purchases good or
7 services from an affiliate.

8 D. In transactions involving sales of goods or service to affiliates, MAWC
9 shall provide proof that, at the time of the transaction MAWC considered
10 all costs incurred to complete the transactions, calculated the costs at times
11 relevant to the transactions, allocated joint and common costs
12 appropriately, and adequately determined the market value of the services.

13 E. In transactions involving the purchase of goods or services by MAWC
14 from an affiliate, MAWC will present evidence as to both the cost of the
15 affiliate to produce the goods or service, and the cost to the regulated
16 utility to produce the good or service for itself.

17 **IV. Affiliated Transactions Record Keeping Requirements:**

18 A. Report to the Commission annually all affiliates as defined by these
19 standards.

20 B. Report to the Commission all contracts entered into with its non-regulated
21 affiliates, and all transactions undertaken with its affiliates without a
22 written contract.

23 C. Report the annual amount of affiliated transactions by affiliate, by USOA
24 account charged.

25 D. Report the basis used (e.g., market value, book value, etc.) used to record
26 affiliate transactions.

27 E. MAWC should develop a cost allocation manual which details how the
28 financial records shall verify that these standards are met and shall
29 maintain books of account supporting records in sufficient detail to permit
30 verification of compliance with these standards. For example:

31 1. Allocations should be made on the basis of fully-distributed cost
32 allocation methodology.

1 2. For transactions in which MAWC provides benefits to the
2 subsidiary, the cost of any of these services should be based on the full
3 cost of such service, including both direct and indirect costs that can be
4 clearly ascertained.

5 3. For services which could reasonable be marketed by MAWC to
6 the public and which have a clear value to the subsidiary, fair market value
7 of such services must be allocated as an imputed cost.

8 4. For transfers of assets, asymmetric pricing principles should be
9 adopted as necessary for the protection of the regulated utility operations,
10 so that transfers of assets between the parent to the affiliate should be
11 recorded at the greater of book cost or market value, whereas, transfers for
12 the non-regulated operations to the utility operations should be the lessor
13 of book cost or market value.

14 F. MAWC shall maintain accurate and detailed records, in accordance with
15 generally accepted accounting principles consistently applied, of all
16 expenditures or costs relating to any services, property, rights, or things of
17 any kind bought or sold in transactions with AWR. MAWC will make
18 available all books and records of the parent company, and all affiliates,
19 when required.

20 SECURITY AAO

21 Q. IS THE COMPANY SEEKING RECOVERY OF A SECURITY ACCOUNTING
22 AUTHORITY ORDER (AAO) ?

23 A. Yes. The Company was granted on AAO to defer and book to Account 186 expenditures relating to
24 security improvements and enhancements beginning September 11, 2001 and continuing through
25 September 11, 2003.

26



Missouri-American Water Company

535 North New Ballas Road St. Louis, Missouri 63141

An American Water System Company

Thomas R Schwarz
1506 Hayselton Dr
Jefferson City MO 65109-1284



Dear Thomas R Schwarz:

Recently you received a letter from us describing the Water Line Protection Program being offered by our affiliate, American Water Resources, Inc. In a short amount of time the Program has grown rapidly and thousands of our customers have enrolled to take advantage of this unique offer. Please take a few minutes now to revisit how the Program can save you thousands of dollars and many sleepless nights - your peace of mind is worth it.

Costs for repairing your water line could amount to thousands of dollars.

You may not realize it, but as a homeowner, you own the water line that runs through your property between the street and your home. At any time, normal wear and tear can cause your water line to leak or break, as shown on the enclosed diagram. You can't prevent it. You can't predict it. And, worst of all, most homeowner insurance policies do not cover repairing it, so you'll have to pay for it.

For just pennies a day, you can be protected from unexpected worries and costs.

In cooperation with our affiliate, American Water Resources, Inc., the Missouri-American Water Company is pleased to introduce a special Water Line Protection Program to cover these unexpected costs and provide you with peace of mind. This also means that you won't have to spend hours searching for a qualified repair contractor — you can leave that up to the experts.

When you consider all the advantages, I'm sure you'll agree that this Program is one of the best opportunities available to you as a homeowner.

- Save thousands of dollars in unexpected repairs for just pennies a day (\$4 a month)
- Enjoy peace-of-mind protection from the most experienced water resource manager in the country
- Eliminate the hassles of searching for a qualified repair contractor

We are pleased to make the protection you need and the peace of mind you deserve available to you while continuing to deliver the quality service you depend on from Missouri-American.

Please carefully read the Program terms and conditions on the back of this letter, and keep this information for future reference. For just pennies a day, I'm sure you will agree that the Water Line Protection Program is a good value. So, I encourage you to complete the enclosed enrollment form today. For only \$4 a month, join the thousands of other homeowners that are protected from the expense and worry that a broken water line can cause.

Sincerely,

Eric W. Thornburg
President

P.S. For just pennies a day, you can save thousands of dollars and countless hours of worry and hassle.

Schedule KKB-8.1

01-0004063-48

AWRLTR010

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AMERICAN WATER RESOURCES, INC.

American Water Resources, Inc. an affiliate of Missouri-American Water Company is dedicated to offering products and services that enhance those services currently offered by Your regulated water provider.

WATER LINE PROTECTION PROGRAM

This agreement is between American Water Resources, Inc. and You, a participant in the Water Line Protection Program, hereinafter referred to as the Contract or the Program. Please read the Contract and retain it for Your records.

THIS AGREEMENT COVERS

American Water Resources, Inc.'s Water Line Protection Program will cover the cost for repair of Your Customer-Owned Water Line should You have a water leak caused by normal wear and tear.

DEFINITIONS

"Administrator" means American Water Resources, Inc., 1410 Discovery Parkway, Alton, Illinois 62002. Toll Free 1-866-430-0819.

"Confirmation Letter" means the acknowledgement letter You will receive from Us following enrollment outlining Your Program specifications. The Confirmation Letter will include the following information:

- Your Name
- Your Covered Address
- Your Customer Number
- Your Program Effective Date
- Your Program Term

"Customer-Owned Water Line" means the section of the single water supply line You own that runs from Your home to the connection owned by Missouri-American Water Company, Inc. It does not include any connections/ extensions such as water lines to sprinklers and/or agricultural meters.

- If the meter is located inside Your home, it is the section of the water supply line from the shut-off valve to the inlet side of the meter.
- If the meter is located outside Your home, it is the section of the water supply line from the outlet side of the meter to the shut-off valve inside Your home.

"Effective Date" means the date protection begins under the Program, which is thirty (30) days after Your Enrollment Date. Your Program Effective Date is listed on Your Confirmation Letter.

"Enrollment Date" means the date Your enrollment form is received, processed and confirmed by Us.

"Lapse of Coverage" means We requested payment from You for an additional Term or Your periodic Program fee and We did not receive Your full payment within thirty (30) days from the date said payment was due. The Program will lapse without notice.

"Program" means American Water Resources, Inc.'s Water Line Protection Program.

"Term" means the period of time, from the Program Effective Date, Your Program will be in effect. The Program Term is annual (three hundred sixty five (365) days) unless it is terminated or cancelled sooner as provided herein. Your Program Term is listed on Your Confirmation Letter.

"We", "Us" and "Our" mean the Administrator.

"You" and "Your" mean a residential customer and customer of record of Missouri-American Water Company, the homeowner of a single-family residence and the purchaser of this Program.

ELIGIBILITY FOR PROTECTION

You must be a residential customer, customer of record of Missouri-American Water Company and owner of the residence to which the Customer-Owned Water Line is attached. The Customer-Owned Water Line must be free of leaks and in working order prior to Your Enrollment Date in the Program. Homeowners in multi-unit dwellings such as condominiums, town homes, duplexes and apartment houses are not eligible for the Program.

PERIOD OF PROTECTION

Program Protection initiates thirty (30) days after Your Enrollment Date. Your protection will continue for the Term listed on Your Confirmation Letter. Your Program Term can automatically be extended provided You make timely payments to Us at the then-current annual Program fee. If You purchase additional Terms without a Lapse of Coverage, Your protection will remain the Program Effective Date listed on Your Confirmation Letter. If the Program lapses as outlined under "Lapse of Coverage," You may re-enroll in the Program at any time subject to a new Enrollment Date and Effective Date.

LIMIT OF PROTECTION

The maximum amount We will pay for any covered repair under the Program is \$3,000 per occurrence. Before the line is repaired, if a permit is required, We will obtain proper permitting before work will commence. We will provide basic site restoration to the repair area once the repair work is completed. Site restoration is limited to filling in, raking and reseeding one line only. All repairs to Your Customer-Owned Water Line will comply with local water code requirements. Any subsequent repair made within 60 days of a prior covered repair will be considered as a part of that prior covered repair and limited to the \$3,000 per occurrence limit. If a permit was acquired to commence work on covered water lines and requires a sidewalk, located in a public easement, to be repaired, the Program will provide repair of said sidewalk up to \$500. Cost to repair sidewalks applies toward the Program \$3,000 maximum. You will not, unless at Your own expense, engage a contractor or otherwise incur costs to repair the Customer-Owned Water Line on Our behalf. You may neither transfer the Program to a new owner of the covered property nor transfer the Program to a different residence owned by You.

THIS AGREEMENT DOES NOT COVER

- Damage to Customer-Owned Water Line incurred or existing prior to the Program Enrollment Date.
- Damage to Customer-Owned Water Line caused by the actions or negligence of You or third parties.
- Damage to Customer-Owned Water Line caused by natural disasters, or acts of nature, including, but not limited to, earthquakes, floods, landslides or sinkholes or any other insurable cause.
- Any consequential, incidental or special damages You incur including lost water, regardless of whether they are caused by delays, failure to service or for conditions beyond the control of the Administrator.
- Restoration of trees, shrubs, paved surfaces, or structures, for any reason.
- Any damage to finished or unfinished walls or surfaces inside Your home necessary to access and repair Your Customer-Owned Water Line.
- Leak repairs to any interior pipes beyond the shut-off valve inside Your home.
- Restoration of sidewalks not located in public easement. Also, restoration of sidewalks located in public easements but not required on the permit.
- Removal of debris necessary to access and repair Your Customer-Owned Water Line, including but not limited to old cars, trash, storage, rocks or materials.
- Movement of the meter at the time of repair, unless required by local code.
- Coverage for multi-unit housing including, but not limited to, town homes, condominiums, duplexes and apartment houses; and any facility used for commercial purposes.
- Updating non-leaking pipes to meet code, law or ordinance requirements or changes thereto.
- Movement of working pipes and/or lines.

YOUR RESPONSIBILITIES

If You suspect there is a water leak, call the toll-free number shown on Your water bill from Missouri-American Water Company who will investigate the source of the problem. In the event Missouri-American determines that the leak is to Your Customer-Owned Water Line, We will arrange to have an approved, independent contractor call You to set up a time to come out to Your home. The contractor will contact You within 12 hours for emergency service, or by 6:00 pm the next business day for all other service, to arrange for repair of Your Customer-Owned Water Line.

If a permit was acquired that requires repair to sidewalks located in public easements, and the cost to repair exceeds the Program maximum of \$500, it is Your responsibility to pay any additional costs. If repair cost to the Customer-Owned Water Line exceeds the Program maximum of \$3,000, it is Your responsibility to pay any additional costs. Any costs in excess of the Program maximum will be stated to You before work is performed and We will send You an invoice for all expenses over any Program maximum. Beyond the previously outlined exceptions, You will not be charged any deductible or service call fees in conjunction with a covered repair. It is Your responsibility to secure permission (right-of-way) associated with gaining access to repair Your Customer-Owned Water Line that may pass through property that You do not own.

ADMINISTRATOR'S RIGHTS

We reserve the right to change Your Program fee and/or the Program terms and conditions with thirty (30) days written notice to You. We reserve the right to transfer or assign Your Program contract. You grant Us the right to obtain customer of record information from Missouri-American Water Company limited to Your name, address and any other pertinent information. This information will not be sold to any outside marketing companies.

CANCELLATION

You may cancel this Program at any time by mailing a cancellation request to American Water Resources, Inc., Attention: Water Line Protection Administrator, 1410 Discovery Parkway, Alton, Illinois 62002. If You cancel, the effective date of cancellation is the date We receive Your notice. You have thirty (30) days from Your Enrollment Date to cancel and receive a full refund of any payments made. Your Program participation will be subject to cancellation without notice once You are thirty (30) days past due on any payment for the Program. If Your Program protection has been cancelled due to non-payment, You may re-enroll in the Program with a new Enrollment Date and new Effective Date. We reserve the right to cancel the Program at any time upon ninety (90) days notice to You. Any refund as a result of the cancellation of the contract by either You or Us, will be determined on a prorated basis less the cost of any service performed under the Program. If You are owed a refund, it will be processed via the enrollment payment method You chose to join the Program.

PAYMENT ARRANGEMENTS

You may make payment for this Program by check. In the event that Your check is returned for Non-Sufficient Funds, Your status in the Program will be terminated as of your Enrollment Date without notice.

You may make payment for this Program by authorizing a charge to Your credit card account (Visa/MasterCard only). The charge to Your credit card account will be for a full year's participation in the Program. If Your credit card charge is not valid for any reason, Your status in the Program will be terminated as of Your Enrollment Date without notice. In the event of Cancellation as provided above, the refund described in the Cancellation paragraph will be credited to Your credit card account.

Your Program participation will be subject to cancellation without notice once You are thirty (30) days past due on any payment for the Program.

TAXES

American Water Resources, Inc. will collect any and all appropriate taxes if required by the local municipal government (s), county government or the State of Missouri. These taxes will be collected at the time of payment. This Program is not currently taxed in the State of Missouri.

LIMITATION OF LIABILITY

In the event that Your property is not eligible for coverage under the terms and conditions of the Program, our only obligation is to refund any payments made by You to Us. Once we have paid You this refund, the Program will be voided as of Your Enrollment Date. The liability of the Administrator, its affiliated companies, its officers, employees, contractors and/or agents to You, or to any other third party or person, for damages resulting from the provision of, or failure to provide services under this Program, or as the result of any fault, failure, defect or deficiency in any service, labor, material, work or product furnished in connection with this Program shall be limited to an amount not to exceed \$3,000. In no event, however, shall the Administrator, its affiliated companies, its employees, agents and contractors have any liability for special, indirect, incidental, consequential or punitive damages resulting from the provision of or failure to provide service under this Program, or from any fault, failure, defect or deficiency in any service, labor, material, work or product furnished in connection with this Program. These limitations of and exclusions from liability shall apply regardless of the nature of the claim or the remedy sought.

THE WATER LINE PROTECTION PROGRAM IS NOT AN INSURANCE CONTRACT OR POLICY. THE PROGRAM PROVIDES FOR THE REPAIR OF LEAKS TO YOUR CUSTOMER-OWNED WATER LINE DUE TO NORMAL WEAR AND TEAR. THIS CONTRACT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN AMERICAN WATER RESOURCES, INC. AND YOU, AND THERE ARE NO OTHER PROMISES OR CONDITIONS IN ANY OTHER AGREEMENT WHETHER WRITTEN OR ORAL.

American Water Resources, Inc.
Water Line Protection Program
1410 Discovery Parkway, Alton, IL 62002
Toll Free 1-866-430-0819

MO0603TC

