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May 30, 2002

Secretary of the Public Service Commission
Governor Office Building
200 Madison Street, Suite 100
P.O. Box 360
Jefferson City, MO 65102-0360

Re: Missouri-American Water Company Application
Case No.

Dear Mr. Roberts:

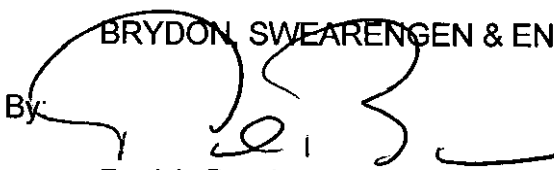
Enclosed for filing please find an original and eight (8) copies of an Application to be filed on behalf of Missouri-American Water Company. I have provided a copy to the Office of the Public Counsel. I have also enclosed two receipt copies, which I request that you file stamp and return to the messenger delivering this filing.

Thank you for your assistance in this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND, P.C.

By:


Paul A. Boudreau

PAB/aw
Enclosures

cc: PSC General Counsel's Office
Office of the Public Counsel

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water)
Company for Authority (1) to Issue up to)
\$85,000,000 in Aggregate Principal Amount)
of Secured or Unsecured Long-Term Debt) Case No.
and (2) to Issue and Sell Additional)
Common Stock to, or Receive Additional)
Paid-in-Capital From, Its Parent Company)
in an Aggregate Amount up to \$15,000,000.)

APPLICATION

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Attorneys for Missouri-American Water Company

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In the Matter of Missouri-American Water)
Company for Authority (1) to Issue up to)
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APPLICATION

COMES NOW Missouri-American Water Company (hereinafter "Applicant")
pursuant to §393.190 and §393.200 RSMo. 2000 and 4 CSR 240-2.060, and for its
Application to the Missouri Public Service Commission (hereinafter "Commission"),
states that:

The Applicant

1. Applicant is a Missouri corporation with its principal office and place of
business at 535 North New Ballas Road, St. Louis, Missouri 63141. Applicant is
qualified to conduct business as a public utility in the State of Missouri subject to the
jurisdiction of the Commission as provided by law. Attached hereto and incorporated
herein by reference as *Appendix 1* and made a part herein for all purposes is a Certificate
of Corporate Good Standing issued by the Missouri Secretary of State's Office
addressing Applicant's corporate status, in compliance with Commission Rule 4 CSR
240-2.060(1)(B).

2. Applicant is engaged, generally, in the business of furnishing water and
wastewater service to the public in over one hundred (100) municipalities within twelve
(12) counties throughout the State of Missouri.

3. Applicant has pending actions or final unsatisfied judgments or decisions against it from a state or federal agency or court which involve customer service or rates, which action, judgment or decision has occurred within three (3) years of date of this Application.

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

5. All communications, notices, orders and decisions respecting this Application and proceeding should be addressed to:

David P. Abernathy
Vice President and General Counsel
MISSOURI-AMERICAN WATER COMPANY
535 North New Ballas Road
St. Louis, MO 63141
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[E-mail: dabernathy@mawc.com](mailto:dabernathy@mawc.com)

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Capitalization of Applicant

6. Applicant has an Indenture dated June 1, 1946, and supplements thereto dated June 1, 1950; December 1, 1952; January 1, 1954; June 1, 1955; December 1, 1957; December 1, 1961; December 1, 1964; June 1, 1967; June 1, 1971; December 1,

1977; January 15, 1983; December 1, 1984; November 1, 1985; January 1, 1988; November 1, 1988; November 1, 1989; December 1, 1989; February 1, 1991; February 1, 1992; February 1, 1993; May 1, 1995; November 1, 1996; April 1, 1997; May 1, 1997; March 1, 1998; March 1, 1999; and December 31, 2001; by and between St. Louis County Water Company and United Missouri Bank and Trust Company, as Trustee. St. Louis County Water Company merged with and into Applicant, the latter surviving, effective December 31, 2001. There are presently due under said Indenture \$116,705,000 aggregate principal amount of First Mortgage Bonds. The said St. Louis County Water Company Indenture, as supplemented and amended, constitutes a first mortgage lien against the property of the Applicant described in said Indenture. The issuance of additional First Mortgage Bonds under the St. Louis County Water Company Indenture is prohibited by Applicant's Indenture of Mortgage, except for transfers, exchanges or substitutions.

7. Applicant has outstanding an Indenture of Mortgage dated May 1, 1968, and supplements thereto dated March 1, 1971; October 1, 1975; October 1, 1980; January 1, 1984; September 1, 1986; February 1, 1990; January 1, 1993; March 1, 1994; January 1, 1995; March 1, 1995; July 1, 1996; June 1, 1997; February 1, 1998; November 1, 1998; March 1, 2000; December 31, 2001; and April 1, 2002 by and between Applicant and First Union National Bank (formerly The Fidelity Bank), and UMB Bank and Trust Company, N.A. (formerly Mercantile Bank of Western Missouri, successor to William B. Ebert), as Trustees (the "Missouri-American Trustees"). Applicant's original Indenture of Mortgage was approved by this Commission in an Order dated June 14, 1968, in Case No. 16,452. There are presently due under said Indenture of Mortgage \$107,545,000

aggregate principal amount of General Mortgage Bonds. Said Indenture of Mortgage, as supplemented and amended, constitutes a first mortgage lien against the property of Applicant described in the Indenture of Mortgage, as supplemented and amended, subject to the Indenture of the former St. Louis County Water Company. The provisions of §§2.03 and 2.04 of Article 2 of the Indenture of Mortgage are applicable to the issuance of additional General Mortgage Bonds and such bonds are issuable pursuant to §2.04 so long as such proposed issue of bonds plus all other "long-term debt" of Applicant does not exceed sixty-five percent (65%) of Applicant's "total capitalization", all as defined in said Indenture of Mortgage as supplemented and amended.

8. Applicant has outstanding, as of February 28, 2002, \$72,696,470 of short-term unsecured indebtedness.

9. Applicant's authorized capital stock consists of 6,000 shares of 5 7/8% cumulative preferred stock, 100% par value, 2,040 shares of which at February, 28, 2002, are issued and outstanding under authority of this Commission; 100,000 shares of 9.18% cumulative preferential stock, \$100 par value, 25,000 shares of which, at February 28, 2002, are issued and outstanding under authority of this Commission; and 40,000,000 shares of common stock, without par value, 26,553,945 shares of which are issued and outstanding under authority of this Commission. Applicant's Restated Articles of Incorporation contain sufficient authorized shares of common stock so as to allow the issuance of approximately 12,500,000 shares of common stock, for an aggregate purchase price of \$90,000,000.

10. None of the outstanding stock, stock certificates or bonds, have been issued or used in capitalizing the right to be a corporation or any franchise or permit, or

the right to own, operate or enjoy such franchise or permit, or any contract for consolidation of the lease, or issued against or as a lien upon any contract for consolidation or merger.

Applicant's Proposed Financing Program

11. Applicant seeks approval of a financing program for a three (3) year period commencing with the effective date of the Commission's approval that would permit Applicant, from time to time during this period, to:

- (a) issue additional long-term taxable debt in an aggregate principal amount not to exceed \$85,000,000 through its affiliate American Water Capital Corp.;
- (b) obtain low cost or tax advantaged funding from the State Environmental Improvement and Energy Resources Authority in the form of private activity bonds for qualifying projects and from the State Revolving Fund for qualifying facilities, provided the amount of such new debt in combination with the debt described in (a) does not exceed \$85,000,000; and
- (c) issue and sell to Applicant's parent company, American Water Works Company, Inc., additional common stock for cash, or receive additional paid-in-capital, for an aggregate sale price not to exceed \$15,000,000.

12. The proposed financing program hereinafter described is necessary and advantageous to Applicant and is not detrimental to the public interest. The amount of bonds, notes and other evidences of indebtedness which Applicant will have outstanding upon completion of the financing program and each component thereof and of the proposed application of the proceeds therefrom, will bear a reasonable proportion to the amount of Applicant's common equity capital and will be reasonable in aggregate principal amount, due consideration being given to the nature of the business in which Applicant is engaged, its credit, future prospects and earnings and the effect which such issue of securities may have on the management and efficient operation of Applicant.

The total outstanding capitalization of Applicant upon completion of the financing program and each component thereof and the application of the proceeds therefrom, will not be in excess of the fair value of Applicant's property used and useful in the service to the public.

American Water Capital Corp.

13. Applicant proposes to implement some or all of the long-term debt portion of its financing program primarily through an affiliate, American Water Capital Corp. ("AWCC"). AWCC is a wholly-owned subsidiary of American Water Works Company, Inc., ("AWW") established for the purpose of providing financial services to AWW and its water and wastewater utility subsidiaries (including Applicant) by pooling the financing requirements of such companies (the "Participants"), thereby creating larger and more cost efficient debt issues at more attractive interest rates and lower transaction costs than would otherwise be available.

14. In the past, Applicant, and its constituent predecessors in interest, provided for debt financing needs primarily through short-term bank borrowings and the sale by private placement of long-term bonds issued pursuant to mortgages on plant and property in this State including the Indenture of Mortgage and, when available, tax exempt bond issues. Changes in the financial markets and federal securities regulation have made the public securities market an attractive alternative to the traditional, secured privately placed bonds and bank borrowings upon which Applicant has traditionally relied. However, borrowers can derive the benefits of the public market only if the amounts they borrow are large enough, and their credit rating high enough, to meet that market's significant entry level requirements. Standing alone, Applicant does not have

the borrowing requirements large enough to finance in the public markets. However, by financing through AWCC, Applicant and its sister companies in other states have sufficient borrowing power to finance in the public market and thereby obtain the advantageous terms available therein.

15. Generally, each year the Participants provide AWCC with an estimate of the borrowing requirements which they propose to finance through AWCC for the coming year and for one (1) to three (3) years in advance. On the basis of this information, AWCC arranges borrowing commitments and programs to provide the funds necessary to meet these requirements. All long-term debt incurred by AWCC and the corresponding long-term indebtedness of each Participant will be match-funded. That is to say, AWCC borrows long term funds only to meet the specific borrowing needs of one or more Participants.

16. AWCC obtains its funds primarily by borrowing from two sources. First, it issues short-term notes (i.e., loans with a maturity of one year or less) in the commercial paper and money market loan markets. The commercial paper is secured by a bank credit facility that can be drawn upon if the commercial paper market experiences difficulty. Second, it has registered its own debt securities for sale in the public market by filing a "shelf registration" with the U.S. Securities and Exchange Commission ("SEC"). A shelf registration permits a company to register the general terms of an offering of long-term debt securities with the SEC and then to make specific sales of those securities without having to make any new pre-sale filings with the SEC. It thereby enables an issuer of debt securities to respond quickly to, and to take advantage of, rapid changes in the debt market. Securities may be sold under a shelf registration on a fully

underwritten basis (sold to a syndicate of underwriters which resells these securities to the public) or on an agency basis (through investment bankers acting as agents).

17. AWCC has the flexibility to adapt to the most favorable method of sale given prevailing market conditions. Over its first full year of operation, AWCC issued over six billion dollars (\$6,000,000,000) of commercial paper, registered 1.6 billion dollars (\$1,600,000,000) of debt securities for future public issuance, arranged and closed on 1.2 billion dollars (\$1,200,000,000) of long-term debt capital (closing the first three issues) and invested in excess of four billion dollars (\$4,000,000,000) of cash overnight for Participants. Its activities saved program Participants approximately 1.5 million dollars (\$1,500,000) in short-term interest and a minimum of ten million dollars (\$10,000,000) in issuance fees.

Charges for AWCC Services

18. The costs incurred by AWCC in connection with its bank credit facility and commercial paper program are divided among the Participants in proportion to the maximum principal amount that each Participant requests be made available to it during the course of a given year. The costs incurred by AWCC in connection with each long-term debt issuance by AWCC are passed through to each Participant in proportion to the principal amount of that issuance which is loaned to the Participant.

19. AWCC also charges each Participant a portion of AWCC's overhead. These overhead costs are allocated among the Participants in proportion to their combined amount of long-term debt, maximum requested short-term borrowing and invested cash balance. The overhead charges incurred by AWCC to date have been more

than offset by the reduction in costs incurred by Participants to obtain their own financings.

20. No profit element is included in any of the charges to Participants under the program.

Applicant's Financial Services Agreement with AWCC

21. Applicant has entered into a Financial Services Agreement with AWCC. A copy of a Financial Services Agreement dated June 20, 2000, by and between Applicant and AWCC (hereinafter the "Agreement") is marked *Appendix 2*, attached hereto, and made a part hereof for all purposes. Under the Agreement, AWCC will provide several types of financial services. First, as described above, AWCC will provide Applicant with access to long-term taxable debt. Pursuant to the Agreement, AWCC will also provide benefits to Applicant with respect to short-term borrowing and cash management. AWCC will arrange for short-term borrowings through the commercial paper market and bank lines of credit. The proceeds from these borrowings are made available to Applicant through short-term loan on the same basis as that on which AWCC has borrowed. Applicant has determined the terms of these short-term borrowings to be more favorable than it could obtain on its own. AWCC also provides a cash management program under which operating cash surpluses and deficits of each Participant, including Applicant, are lent to or borrowed from AWCC on a daily basis at the same interest rate as AWCC is required to pay on its own short-term borrowing.

22. Applicant's debt obligations to AWCC under the Agreement will be evidenced by notes. The notes will not be secured by a mortgage, lien or encumbrance on Applicant's properties in the State of Missouri. AWW has issued a "support letter"

for the benefit of the lenders to AWCC. The support letter requires AWW to continue to own all of the issued and outstanding stock of AWCC, to cause AWCC to maintain a positive, tangible net worth and, if AWCC is unable to satisfy its obligations when due, to provide funds to assure such payment. AWW's undertaking under its support letter constitutes a separate, registerable security under the federal securities laws. As co-registrants, AWW and AWCC are subject to the statutory liabilities imposed by the Securities Act of 1933 and AWCC has become a reporting company under the Securities and Exchange Act of 1934. Through this arrangement, each Participant, including Applicant, will derive the benefits of a public sale of its securities without having to undertake these responsibilities imposed by the federal securities laws on issuers of debt in the public markets.

23. The Agreement provides that the obligations of Applicant in the AWCC program are several and not joint. Accordingly, Applicant's obligations will be limited to the amount it actually borrows.

24. Applicant may terminate the Agreement by giving ten (10) days prior written notice. AWCC can terminate the Agreement by giving ninety (90) days prior written notice. No termination will affect any amounts then outstanding or due under an outstanding note.

25. Long-term debt issued pursuant to the Agreement will be made for maturities not to exceed thirty-five (35) years at market interest rates. Specifically, the interest cost of the debt instruments, including any applicable discounts, will not exceed 2.00 percentage points (200 basis points) above the yield on U.S. Government Treasury Bonds having similar terms of maturity as published in The Wall Street Journal on the

date prior to the date or dates on which the terms and conditions of the indebtedness shall be determined.

Low Cost or Tax Advantaged Financing through Government Programs

26. The Agreement with AWCC does not prohibit or restrict Applicant from borrowing from other parties or obtaining financial services from other parties whenever and on whatever terms it deems appropriate. From time to time, Applicant may have the opportunity to finance certain projects through special low cost or tax advantaged government programs due to the special public benefits associated with those projects. For example, Applicant may have the opportunity to obtain funding through the State Environmental Improvement and Energy Resources Authority (the "Authority") or other governmental programs, such as those administered by the Missouri Department of Natural Resources (the "Department") through its Water Pollution Control Program (the "Program") in connection with certain water treatment or pollution control or improvement projects.

27. Applicant seeks Commission authority to engage in these types of borrowings and debt financings during the three (3) year period of the proposed financing program. Such borrowings and financings would primarily be made directly by Applicant outside of the AWCC arrangement.

Tax Exempt Financing Available Through the Authority

28. The Authority is a body corporate and politic and a government instrumentality of the State of Missouri duly organized and existing under the Constitution of the State and §§260.005 through 260.125, inclusive, RSMo. 2000, as amended (the "Act"). The Authority is authorized to issue revenue bonds and loan the

proceeds therefrom to a corporation for the purpose of construction, reconstruction, enlargement, improvement, furnishing, equipping, maintaining, repairing, operating, leasing, financing and selling any facility constituting a "project" under the Act.

29. Generally, at the request of Applicant, the Authority will issue and sell for cash to an underwriter a specified principal amount of tax-exempt revenue bonds ("EIERA Bonds"). The Authority will lend the proceeds of the EIERA Bonds to Applicant pursuant to a loan agreement between the Applicant and the Authority. The actual maturity date, interest rate and redemption provisions will be negotiated by an underwriter and Applicant at the time of the sale of the EIERA Bonds and will be based on market conditions at the time of the sale.

30. Concurrently with the issuance and sale of the EIERA Bonds, and on delivery of the cash proceeds of the sale to a Trustee selected by the Applicant with the approval of the Authority for the use of the Applicant, Applicant will issue and deliver to a Trustee under the EIERA Bond Indenture, a matching aggregate principal amount of its General Mortgage Bonds, which will bear interest at a rate and contain other payment terms and conditions equivalent to those contained in the EIERA Bonds. By this arrangement, it is intended that Applicant's payments required for interest, principal and redemption of its General Mortgage Bonds shall be sufficient to pay interest on and to redeem and pay at maturity the EIERA Bonds. The Authority's right, title and interest in Applicant's General Mortgage Bonds shall constitute security for the payment of the EIERA Bonds and the interest and the redemption premium, if any, thereon. All payments by Applicant on the General Mortgage Bonds of principal, interest and the

premium, if any, will be made prior to or on the dates when the corresponding payments are required to be made on the EIERA Bonds.

31. Although the Authority will be the issuer of the EIERA Bonds, as required to exempt the interest on such bonds from taxation, neither the credit of the Authority, nor that of the State of Missouri, will be pledged for the payment of the EIERA Bonds.

32. If Applicant can obtain a municipal bond insurance policy at a cost which will result in debt service on the EIERA Bonds, on a present value basis, being less than the debt of the service on the EIERA Bonds without such municipal bond insurance policy, Applicant may purchase such a policy, in which event the policy premium will be paid out of proceeds from the sale of the EIERA Bonds as an expense of the offering. Such a policy would constitute a guarantee by the issuer of the bond insurance of payments of principal and interest on the EIERA Bonds.

33. The proceeds from the sale of the General Mortgage Bonds hereinbefore described, after paying financing expenses, will be used for the project identified in the corresponding loan agreement.

34. The EIERA Bonds will be issued and sold by the Authority to underwriters who, in turn, will offer the EIERA Bonds to purchasers in a public offering. The EIERA Bonds will mature not later than thirty-five (35) years after their date of issuance and the interest cost of such bonds will not exceed two percentage points (200 basis points) over the Bond Buyer Revenue Bond Index as published in the most current available issue of The Bond Buyer on the business day prior to the day on which the terms of the EIERA Bonds are determined.

35. Applicant will issue and sell, for money only, from time to time, its General Mortgage Bonds, in such principal amounts as Applicant shall select, and deliver them to the Trustee under the applicable EI ERA Bond Indenture to secure tax-exempt revenue bonds for Applicant's qualifying projects under the Act. The General Mortgage Bonds are to be issued in one or more series under Applicant's Indenture of Mortgage, as heretofore amended and supplemented and to be further amended and supplemented, including by a Supplemental Indenture for each new series of bonds. Each Supplemental Indenture will be dated on or prior to the date of the initial issuance of any General Mortgage Bonds of the series of Bonds to which each Supplemental Indenture relates and will, among other things, provide for the terms of the bonds of such series and describe additional after-acquired property.

Low Cost and Tax Exempt Financing Available through the Department

36. The State Revolving Fund (the "Fund") is a program codified in Chapter 644 [RSMo. to](#) administer capitalization grants deposited in a special revolving fund by the United States Environmental Protection Agency and the State of Missouri. The Fund is operated by the Program. The Fund is comprised of a number of subsidiary special funds such as the Drinking Water State Revolving Fund, the Clean Water State Revolving Fund, the Water and Wastewater Loan Fund, the Water and Wastewater Revolving Loan Fund and the Drinking Water Revolving Fund. Collectively they are available to provide financial assistance to municipalities and utilities for the construction and improvement of qualifying water and wastewater treatment facilities (hereinafter the "Qualifying Facilities").

37. This assistance comes in the form of loans to applicants based on criteria set out in rules established by the Program, as approved by Missouri Clean Water Commission and the Safe Drinking Water Commission. Loans are available based upon availability of funds, predetermined lending limits and an applicant's priority points award. Qualifying applicants provide loan security, as determined by the Department or by the Department in conjunction with the Authority.

38. There are two loan programs available through the Fund. There is a direct loan component and a leveraged loan component. Under the direct loan program, the Department may make or authorize low cost loans through the purchase of an applicant's general mortgage bonds, revenue bonds, short-term notes or other acceptable obligation for the planning, design and construction of Qualifying Facilities. The leveraged loan program is administered by the Department or by the Department and the Authority. Subject to funding and eligibility requirements, the Authority may issue bonds and loan the proceeds for the construction of Qualifying Facilities. The bonds are marketed at a favorable tax-exempt interest rate.

39. From time to time, Applicant proposes to make application to the Program for debt financing through the direct and/or leveraged loan programs available through the Fund. Toward that end, Applicant proposes to sell to the Department, or its lawful designee, Applicant's General Mortgage Bonds, long-term notes or such other acceptable obligation to obtain available financing through the Fund's direct loan program for Applicant's Qualifying Facilities. Similarly, Applicant proposes to issue and deliver to the Authority Applicant's General Mortgage Bonds as security for the payment of bonds issued by the Authority on Applicant's behalf as part of the Fund's leveraged loan

program, also for use in the construction of Applicant's Qualifying Facilities. The manner in which the Authority issues such bonds is described above in paragraphs 28 through 35, supra.

Terms of Long-Term Bonded and Other Indebtedness

40. The terms of the long-term bonded and other indebtedness to be incurred by Applicant under the financing program, including the price, interest rate and terms of the payment of interest, maturity, redemption and sinking funded provisions, if **any, and** other terms and provisions cannot be determined at this time because the market for debt capital is constantly changing and, thus, the terms of the notes and bonded indebtedness will be determined at the time of sale. Each series of notes or General Mortgage Bonds will mature on a date or dates, will bear interest at rates of interest (subject to the limitations described above), will be subject to redemption and tender for purchase and have such other characteristics as shall be determined by Applicant in accordance with the Agreement, loan agreements with the Authority, the Department or its designee, the Indenture of Mortgage and based on market conditions at the time of issuance, but subject to the terms and conditions of the Commission's order in this case. The amount of notes evidencing long-term unsecured indebtedness to AWCC under the Agreement, or to the Department, in the aggregate and in combination with the General Mortgage Bonds issued and sold, in one or more series, and delivered to the Missouri-American Trustees, including under the EIERA Bond Indenture, shall not exceed \$85,000,000.

Issuance and Sale of Common Stock to AWW

41. Applicant also proposes to issue and sell from time to time shares of common stock, no par value, of Applicant to AWW, or receive additional paid-in-capital

in an aggregate amount not to exceed \$15,000,000. The new common stock is proposed to be issued for an aggregate price instead of a price per share because of the problem with developing a price per share that would result in even cents per share. It is anticipated that the book value per share of the new common stock at the time of issuance will be the same as the then-current book value of common equity.

Supplemental Reports of Financing Activity

42. Promptly after the issuance and sale of notes, bonds or common stock, a report setting forth the amount, price information and other terms and provisions concerning stock issued and long-term bonded and other indebtedness incurred under the financing plan and, if applicable, setting forth information concerning the use of the proceeds from any such issuance with regard to the redemption of any outstanding indebtedness, including net present value calculations indicating the amount of interest cost savings, will be late-filed as *Appendix 3* (a through x, as applicable) hereto and be made a part hereof for all purposes.

43. Each of Applicant's reports will include a statement of the portion of the issuance of long-term indebtedness subject to the fee schedule set forth in §386.300 RSMo 2000, in accordance with 4 CSR 240-2.060(11)(F).

Use of Proceeds

44. Applicant intends to apply the net proceeds from the financing program for the acquisition of property, the construction, completion, extension or improvement of or additions to its facilities, other capital investments, all of which shall be necessary and proper for the rendition of public water supply and wastewater service, the improvement or maintenance of its service, the discharge or lawful refunding of indebtedness

outstanding at the time of closing and to reimburse its treasury for any costs heretofore incurred subsequent to July 1, 2001.

Not Binding for Ratemaking Purposes

45. Applicant has no objection to the Commission's order approving this Application containing express language to the effect that its authorization is not a finding by the Commission of the value of the financing program for ratemaking purposes and, further, that the Commission reserves the right to consider the ratemaking treatment afforded the activities undertaken by Applicant pursuant to its financing program and their impact on cost of capital in subsequent rate proceedings.

Miscellaneous Filing Requirements

46. In accordance with Commission rule 4 CSR 240-2.060(11)(1)(D), attached hereto marked *Appendix 4*, incorporated herein for all purposes is a certified copy of the Resolutions of the Board of Directors of Applicant authorizing the issuance which is the subject of this Application and authorizing the filing of this Application.

47. Also attached hereto and incorporated herein by referenced are the following appendices:

Appendix 5- Listing of issued and outstanding bonds of Applicant;

Appendix 6- Information regarding Applicant's capital stock outstanding, bonded indebtedness and short-term indebtedness and other financial information including a balance sheet for the 12-month period ending February 28, 2002, and a financial statement with the adjustments showing the pro forma effect of the issuance of the \$85,000,000 of long-term debt and \$15,000,000 of new common stock on bonded and other indebtedness and stock authorized and outstanding. [See, 4 CSR 240-2.060(11)(E)]

Appendix 7- Statement of Applicant's capital expenditures for the acquisition of property and the construction, completion, extension and improvement of its plant and system for the five (5) year period ending immediately prior to the filing of this Application, as well as the amount

of retirements and permanent financing for the indicated, and a statement of Applicant's net property additions. [See, 4 CSR 240-2.060(11)(G)]

48. The money, property or labor to be procured or paid for by the issuance and sale of the long-term taxable and tax-exempt debt and the issuance and sale by Applicant of the new common stock hereinabove described is reasonably required for the purposes specified in this Application and such purposes are in part reasonably chargeable to operating expenses or to income.

WHEREFORE, Applicant requests that the Commission issue an order authorizing Applicant for a period ending three (3) years after the effective date of the Commission's approval to:

A. Perform in accordance with the terms of the Agreement, *Appendix 2*, containing the terms under which Applicant will meet certain of its borrowing requirements through AWCC including, but not limited to, providing for the issuance and delivery to AWCC of long-term unsecured notes providing for the payment to AWCC of principal and interest on the notes and overhead and other costs as hereinabove described;

B. Create, issue, sell and deliver to AWCC and/or the Department or its lawful designee, in one or more series, notes evidencing long-term unsecured indebtedness, each such series of notes to be issued at such time, or from time to time, to be of such aggregate principal amount, having maturity of not more than thirty-five (35) years, bearing interest at a rate not greater than two percentage points above the yield on a U.S. Government Treasury Bond having a similar term of maturity on the date prior to the date on which the terms and conditions of each such series of notes shall be determined, and having such designation and such other terms and conditions as shall be determined by Applicant at the time of issuance, provided that the aggregate principal

amount of all such series, shall not exceed \$85,000,000, all as to be set forth in *Appendices 3 a through x* (as applicable);

C. Create one or more series of its General Mortgage Bonds under its Indenture of Mortgage to First Union National Bank (formerly the Fidelity Bank) and UMB Bank and Trust, N.A. (formerly Mercantile Bank of Western Missouri, successor to William B. Ebert) as Trustees, dated June 14, 1968, as amended and supplemented, including by the First through Seventeenth Supplemental Indentures and to be amended and supplemented, including by a Supplemental Indenture for each new series of General Mortgage Bonds, each such series to be issued at such time, or from time to time, to be of such aggregate principal amount as shall be determined by Applicant, provided the aggregate principal amount of all such series, in combination with Applicant's long-term indebtedness to AWCC and the Department, shall not exceed \$85,000,000, bearing interest, including any applicable discount, at a rate not greater than two percentage points over the Bond Buyer Revenue Bond Index as published in The Bond Buyer on the day prior to the date on which the terms and conditions of the bonds are determined having maturity of not more than thirty-five (35) years, and having such designation and other redemption and sinking fund provisions, if any, and other terms and provisions as shall be determined by Applicant, all to be set forth in the Supplemental Indenture relating to such series of bonds, as to be executed, and as to be set forth in *Appendices 3 through x* (as applicable);

D. Deliver each such series of its General Mortgage Bonds to (l) the Trustee under the applicable EIERA Bond Indenture in accordance with the terms of a loan agreement or agreements between Applicant and the Authority to secure tax-exempt

revenue bonds for Applicant's qualifying projects under the Act and/or the Fund, or (2) the Department or its lawful designee for the purpose of obtaining direct loans from the Fund for Applicant's Qualifying Facilities;

E. Execute and deliver to First Union National Bank (formerly the Fidelity Bank), and UMB Bank and Trust, N.A. (formerly Mercantile Bank of Western Missouri, successor to William B. Ebert) as Trustees, a Supplemental Indenture with respect to each such series of General Mortgage Bonds, each to be dated on or prior to the date of the initial issuance of any General Mortgage Bonds of the series of General Mortgage Bonds to which such Supplemental Indenture relates, supplemental to the Indenture of Mortgage dated June 14, 1968;

F. Create and make effective the lien of the Indenture of Mortgage, dated as of May 1, 1968, as amended **and supplemented, and** as to be amended and supplemented, including by a Supplemental Indenture for each new series of General Mortgage Bonds, on the property of Applicant in the State of Missouri to secure each new series of General Mortgage Bonds, provided that the aggregate principal amount thereof, combined with long-term unsecured indebtedness to AWCC and the Department, shall not exceed \$85,000,000;

G. Issue and sell to American Water Works, Inc., Applicant's common stock, or receive additional paid-in-capital in an aggregate principal amount not to exceed \$15,000,000;

H. Amortize any premium or discount expenses incident to the issuance of long-term indebtedness to AWCC and/or the Department, or General Mortgage Bonds over the life thereof;

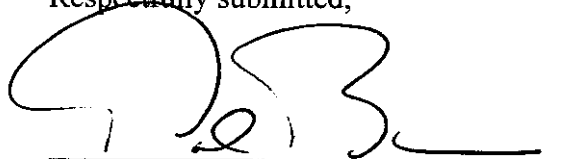
1. Enter into, execute, deliver and perform the necessary arrangements or other documents necessary to effectuate the transactions hereinabove described; and

J. Take such other actions as may be reasonably necessary to complete the subject transactions; and

Further ordering that the proceeds from the issuance and sale of bonded and other long-term indebtedness and the new common stock will be used by Applicant for the acquisition of the property, the construction, completion, extension or improvement or addition to its facilities, the improvement of or maintenance of its service, and for other corporate purposes as hereinabove described; and

Further ordering that the money, property or labor to be procured or paid for by Applicant through the issuance and sale of the long-term bonded and other indebtedness and the new common stock or additional paid-in-capital is reasonably required and necessary for the purposes set forth above and will be used therefore in such purposes are not, in whole or in part, reasonably chargeable to operating expense or to income, all as required by §393.200 RSMo. 2000.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'P. A. Boudreau', written over a horizontal line.

Paul A. Boudreau #33155
BRYDON, SWEARENGEN & ENGLAND P.C.
312 East Capitol Avenue
P.O. Box 456
Jefferson City, MO 65102
Telephone: (573) 635-7166
Facsimile: (573) 635-0427
E-Mail: PaulB@brydonlaw.com

Attorneys for Missouri-American Water Company

Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was sent by U.S. Mail, postage prepaid, or hand-delivered, on this 30th day of May, 2002, to:

Missouri Public Service Commission
General Counsel's Office
Governor Office Building
200 Madison Street, P.O. Box 360
Jefferson City, MO 65102

Office of the Public Counsel
Governor Office Building
200 Madison Street, P.O. Box 7800
Jefferson City, MO 65102

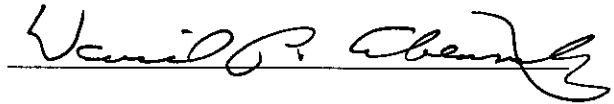
A handwritten signature in black ink, appearing to read 'P. Boudreau', written over a horizontal line.

Paul A. Boudreau

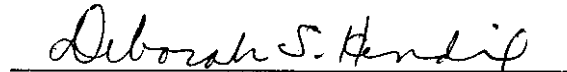
AFFIDAVIT

State of Missouri)
 ss
County of St. Louis)

I, David P. Abernathy, having been duly sworn upon my oath, state that I am the Vice President, General Counsel & Secretary of Missouri-American Water Company, that I am duly authorized to make this affidavit on behalf of Missouri-American Water Company, and that the matters and things stated in the foregoing Application and appendices thereto are true and correct to the best of my information, knowledge and belief.



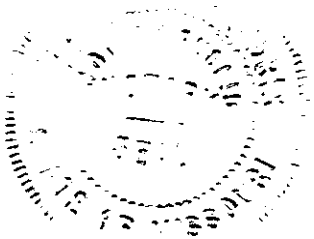
Subscribed and sworn before me this 24th day of May, 2002.


Notary Public

My Commission expires:

8/11/03

DEBORAH S. HENDRIX
Notary Public-Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: Aug. 11, 2003



No. 00001468

STATE OF MISSOURI



Matt Blunt
Secretary of State

CORPORATION DIVISION

CERTIFICATE OF CORPORATE GOOD STANDING

I, MATT BLUNT, Secretary of State of the State of Missouri,
do hereby certify that the records in my office and in my
care and custody reveal that

MISSOURI-AMERICAN WATER COMPANY

was incorporated under the laws of this State on the 9th
day of DECEMBER, 1879, and is in good standing, having fully
complied with all requirements of this office.

IN TESTIMONY WHEREOF, I have set my
hand and imprinted the GREAT SEAL of
the State of Missouri, on this, the
28th day of MAY, 2002.


Secretary of State



EXECUTION COPY

FINANCIAL SERVICES AGREEMENT

THIS AGREEMENT, dated as of June 15, 2000, by and between Missouri-American Water Company (the "Company") and American Water Capital Corp. ("AWCC").

BACKGROUND

The Company currently performs its own financial services.

However, the Company has determined that it can obtain these services more efficiently through the consolidation of certain necessary management and staff functions with those performed for other entities that may enter into agreement with AWCC substantially similar to this one ("Co-Participants").

AWCC is dedicated to performing such consolidated functions.

Accordingly, the parties have determined to enter into this Agreement for the provision of financial services by AWCC to the Company and for the proper determination and allocation of the costs of providing such services.

Therefore, the parties agree as follows:

AGREEMENT

1. **Services.** AWCC will provide, either directly or through arrangements with third parties for the benefit of the Company, such financial services as the Company and AWCC may from time to time agree, including but not limited to those more fully described in Appendix I attached to this Agreement.

2. **Costs.** In consideration of the provision of the services contemplated by paragraph 1, the Company agrees to pay AWCC a portion of the costs and appropriate overhead incurred by AWCC in providing those services, as follows. The costs incurred by AWCC in connection with its bank credit lines and short-term public borrowings will be divided among the Co-Participants in proportion to the maximum principal amount that each Co-Participant requests be made available to it during the course of a year. The costs incurred by AWCC in connection with each long-term borrowing by AWCC will be divided among each Co-Participant in proportion to the principal amount of that borrowing that is loaned to that Co-Participant. AWCC's overhead will be allocated among the Co-Participants in the same proportion as each Co-Participant's long-term and maximum, requested short-term borrowings and investments in a calendar year bear to all of the long and maximum short-term borrowings and investments by all Co-Participants during the same year.

3. **Statements.** AWCC will prepare and deliver to the Company monthly statements of the services provided by AWCC and amounts payable to AWCC, giving effect to

all the provisions of this Agreement. The Company shall pay the net amount shown on its statement within thirty (30) days after the billing date.

4. Inspection. Upon reasonable notice, AWCC will make available to the Company for its inspection AWCC's books, records, bills, accounts and any other documents which describe or support the costs allocated to the Company under this Agreement.

5. Obligations Not Joint. AWCC and the Company expressly agree: (a) that the obligations of the Company and each Co-Participant to AWCC are several and not joint; (b) that the Company will not be responsible to any Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by the Company to AWCC under this Agreement or a Note in the form attached to this Agreement; and (c) that no Co-Participant will be responsible to the Company, to any other Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by that Co-Participant to AWCC under any agreement substantially similar to this Agreement or under any Note attached to that other agreement. AWCC covenants and agrees that it will require, as a condition to its entering into any such other agreement with a Co-Participant, that such other agreement contains the same provision as that contained in the immediately preceding sentence.

6. Notes. The Company's borrowings under this Agreement will be evidenced by one or more promissory notes in the form of Exhibit A or Exhibit B attached to this Agreement.

7. Non-Exclusivity. Nothing in this Agreement prohibits or restricts the Company from borrowing from third parties, or obtaining services described in this Agreement from third parties, whenever and on whatever terms it deems appropriate.

8. Effectiveness. This Agreement shall be effective as of June 15, 2000, provided that, if prior approval by the regulatory commission of any jurisdiction is required before this Agreement may become effective as to the Company, or before AWCC may provide a particular service hereunder to the Company, this Agreement shall not be effective as to the Company or as to that service, as the case may be, unless and until the required approval has been obtained. Unless and until this Agreement becomes effective as to the Company in whole or in part, the Company shall not be entitled to the benefits of, nor shall it have any rights or duties under, this Agreement. This Agreement may be amended or rescinded only by written instrument signed by the Company and AWCC.

9. Termination. The Company may terminate its participation in this Agreement by giving ten (10) days prior written notice of such termination to AWCC; and (b) AWCC may terminate this Agreement by giving ninety (90) days prior written notice of such termination to the Company. Termination of this Agreement will not affect: (a) the Company's obligations under any Promissory Notes; (b) any party's obligations with respect to any amounts owing under Sections 2 and 3 of this Agreement (including such amounts attributable to obligations of any terminating party under any Promissory Notes that remain outstanding after this Agreement is terminated as to that party); or (c) AWCC's obligations to repay any investments made by a Company pursuant to Appendix 1.

10. Copies. This Agreement may be executed by the parties in one or more copies and each executed copy shall be considered an original.

In witness of the foregoing, each of the Company and AWCC has caused its respective corporate seal to be affixed to this Agreement and has caused this Agreement to be signed on its behalf by its duly authorized officers.

ATTEST:

MISSOURI-AMERICAN WATER COMPANY

By: David P. Regan
Title: Secretary

By: James H. Buckler
James H. Buckler, President

ATTEST:

AMERICAN WATER CAPITAL CORP.

By: W. Timothy Pohl
Title: W. Timothy Pohl
Vice President and Secretary

By: Joseph E. Hartnett, Jr.
Name and Title: Joseph E. Hartnett, Jr.
Vice President and Treasurer

APPENDIX I

DESCRIPTION OF FINANCIAL SERVICES

Set forth below is a list of the services which AWCC agrees to provide to the Company upon its request pursuant to the Agreement to which this Appendix is attached.

1. Short-Term Loans. AWCC will provide Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached to this Agreement as Exhibit A.

2. Long-Term Borrowings. AWCC will provide loans other than Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached hereto as Exhibit B.

3. Cash Management. Cash not required by the Company to pay its daily disbursements or to pay when due the principal of and interest on, the Company's borrowings from AWCC other than Short-Term Loans will be used by AWCC first to reduce the outstanding principal balance of the Company's Short-Term Loans owing to AWCC and any excess will be deemed to be invested with AWCC and will earn a daily rate of interest that is equal to the interest income earned by AWCC on those funds. Upon the request of that Company, AWCC shall execute one or more promissory notes in favor of the Company, in form and substance substantially similar to the Promissory Note attached as Exhibit A to the Agreement as evidence of such investment.

EXHIBIT A
PROMISSORY NOTE
FOR SHORT-TERM LOANS

\$ _____, 2000

FOR VALUE RECEIVED, [NAME OF COMPANY], a corporation (herein "Borrower") hereby promises to pay ON DEMAND to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at Voorhees, New Jersey or such other place as Lender may from time to time designate, the principal sum of _____ dollars (\$) (the "Maximum Principal Sum"), or such lesser amount as shall equal the aggregate unpaid principal amount of the loans made by Lender to Borrower (other than loans evidenced by a promissory note under which the principal amount is due and payable in one or more scheduled installments more than one year after the date of its issue), together with interest thereon from the date hereof until paid in full. Interest will be charged on the unpaid outstanding principal balance of this Note at a rate per annum equal to Lender's actual cost of funds to make such loan, such rate to change as Lender's actual cost of funds changes. Interest on borrowings shall be due and payable on the first business day of each month, commencing with the first business day of the month after the month in which this Note is executed. In the absence of manifest error, the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

Borrower may borrow, repay and reborrow hereunder in amounts which do not, in the aggregate outstanding at any time, exceed the Maximum Principal Sum.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of

Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of the parties hereto.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

[BORROWER]

By: _____
Name and Title:

EXHIBIT B
PROMISSORY NOTE
FOR LONG-TERM BORROWINGS

\$ _____, 2000

FOR VALUE RECEIVED, [NAME OF COMPANY], a corporation (herein "Borrower") hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at _____ or such other place as Lender may from time to time designate, the principal sum of _____ dollars (\$ _____), together with interest thereon from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

[BORROWER]

By: _____
Name and Title:

Appendix 3

To be late-filed

**MISSOURI-AMERICAN WATER COMPANY
CERTIFIED COPY OF CORPORATE RESOLUTION**

1, David P. Abernathy, Secretary of Missouri-American Water Company, do hereby certify that the following Resolutions were duly adopted at a meeting of the Board of Directors of said Company, duly convened and held on the 24th day of April, 2002, at which a quorum was present and voting throughout, and that said Resolutions have not been rescinded, amended or modified:

RESOLVED, that the issuance and sale by this Company of Promissory Notes to American Water Capital Corp. ("AWCC") under and pursuant to the terms of the Financial Services Agreement executed and previously approved on June 15, 2000, or the issuance and sale of General Mortgage Bonds and such General Mortgage Bonds to be sold to the Environmental Improvement and Energy Resources Authority ("EIERA") and/or the State Revolving Fund ("SRF") and assigned to the EIERA/SRF trustee, pursuant to the Indenture of Trust to the EIERA/SRF Trustee as security for the EIERA/SRF Tax Exempt Bonds with the EIERA/SRF, over a period of three years and, taken together, having an aggregate principal amount not to exceed \$85,000,000 (the "New Debt"), as part of a financing program to provide for the needs of the Company, and sold in one or more transactions, be and hereby is in all respects approved; that any and all actions heretofore taken by the officers of this Company with respect to the financing program be, and they hereby are, ratified and each of them hereby is, authorized and empowered to continue and complete the development of such financing program; and further,

RESOLVED, that the officers of the Company are authorized and empowered to prepare and file, in the name and on behalf of the Company, its proposed three year financing program with the Missouri Public Service Commission with respect to the issuance of the aforesaid Promissory Notes and General Mortgage Bonds; and further,

RESOLVED, that the President or Vice President of this Company be, and hereby is, authorized and empowered to prepare, execute and deliver in the name of and on behalf of this Company, the Promissory Notes or General Mortgage Bonds; that the President or Vice President of this Company be, and hereby is, authorized and empowered to deliver to AWCC or the EIERA/SRF, in the name of and on behalf of this Company, Promissory Notes or General Mortgage Bonds, in one or more series, in the aggregate principal amount not to exceed \$85,000,000 over a period of three years from the effective date of an order of the Missouri Public Service Commission approving the Company's financing program; and further,

RESOLVED, that the proper officers of this Company be, and hereby are, authorized, empowered and directed to prepare, execute and deliver such papers, instruments and documents and to do any and all other acts and things, including making such payments as they may deem necessary, desirable or convenient, in order to effect the issue and delivery to AWCC the Promissory Notes or the issue and delivery to the EIERA/SRF Trustee of the General Mortgage Bonds and to fully carry out and consummate all other such actions authorized by the foregoing resolutions; and further,

RESOLVED, that this Company, also as part of a financing program to provide for its needs, shall issue and sell to American Water Works Company, [Inc. an](#) amount not to exceed 2,500,000 shares over a period of three years of authorized but unissued Common Stock of this Company, no par value per share, in one or more series, (the "New Common Stock"), at an aggregate price not to exceed \$15,000,000 over a period of three years commencing with the effective date of an order of the Missouri Public Service Commission approving the Company's financing program; and further,

RESOLVED, that the President or any Vice President and the Secretary or any Assistant Secretary of this Company be and hereby authorized and empowered to prepare and execute in the name and on behalf of this Company a certificate or certificates representing shares of New Common Stock not to exceed 2,500,000 and to affix thereto the corporate seal of this Company; and further,

RESOLVED, that the President, any Vice President, the Treasurer, the Assistant Treasurer, the Secretary or any Assistant Secretary of this Company be and each of them hereby is authorized and empowered to deliver to American Water Works Company, Inc., a certificate or certificates representing the shares of New Common Stock not to exceed 2,500,000, against payment therefore pursuant to common stock purchase agreement(s) and to effect, pursuant thereto the issue and sale and delivery to American Water Works Company, Inc., of approximately 2,500,000 shares of New Common Stock; and further,

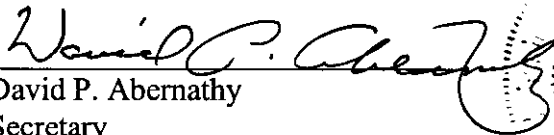
RESOLVED, that the Board of Directors of this Company declares that the approximately 2,500,000 shares of additional New Common Stock, when issued, sold, paid for and delivered pursuant to a common stock purchase agreement, shall each be fully paid and nonassessable shares of the Common Stock of this Company; and further,

RESOLVED, that the officers of the Company are authorized and empowered to prepare, execute and file, in the name and on behalf of the Company, an application and all necessary, amendments, exhibits or supplements thereto and all certificates, exhibits or other papers required for requisite approval of the Company's three year financing program with the Missouri Public Service Commission with respect to the issuance of the aforesaid New Debt and New Common Stock; and further,

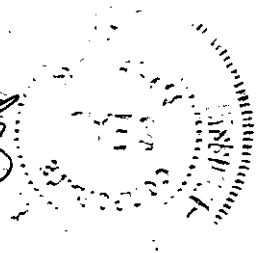
RESOLVED, that each officer of the Company is authorized, empowered and directed, in their discretion, to do or cause to be done all such things and to execute all such instruments as he or she deems desirable in connection with the matters authorized in all of the foregoing resolutions in order to carry out the intent and purpose of the foregoing resolutions and each of them.

I further certify that the above Resolutions have not been changed or amended in any way, and that the same is now in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of Missouri-American Water Company, and have caused the corporate seal of said Company to be hereunto affixed, this 24th day of May, 2002.



David P. Abernathy
Secretary



MISSOURI AMERICAN WATER COMPANY

Issued and Outstanding Bonds as of February 28, 2002

LONG-TERM DEBT:First Mortgage Bonds:

Series T, due 02/01/23	\$ 14,910,000
Series U, due 06/01/25	11,895,000
Series V, due 1/01/26	19,900,000
Series W, due 05/01/07	15,000,000
Series X, due 03/01/28	25,000,000
Series Y, due 03/01/29	<u>40,000,000</u>
	<u>\$ 126,705,000</u>

General Mortgage Bonds:

7.79% Series, due 06/01/27	8,000,000
8.58% Series, due 03/01/25	3,000,000
7.14% Series, due 03/01/34	12,500,000
5.50% Series, due 01/01/23	4,845,000
5.00% Series, due 02/01/28	4,500,000
5.85% Series, due 07/01/26	6,000,000
5.00% Series, due 11/01/28	19,000,000
9.01 % Series, due 02/15/05	5,700,000
5.90% Series, due 03/01/30	29,000,000
5.20% Series, due 04/01/32	<u>15,000,000</u>
	<u>\$ 107,545,000</u>

TOTAL	<u>\$ 234,250,000</u>
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MISSOURI-AMERICAN WATER COMPANY

Balance Sheet as of February 28, 2002 and Pro Forma giving effect as of that date to the Proposed Financing

ASSETS

	<u>Per Books</u>	<u>Adjustments</u>		<u>Pro Forma</u>
Utility plant	\$ 838,821,523			\$ 838,621,523
Construction work in progress	20,556,632			20,556,632
Accumulated depreciation	(208,995,665)			(208,995,665)
Utility plant acquisition adjustment	3,485,847			3,485,847
Other utility plant adjustments	-			-
Other investments	<u>59,867</u>			<u>59,867</u>
	<u>653,928,204</u>		:	<u>653,928,204</u>
Current Assets:				
Cash and cash equivalents	1,278,839.	85,000,000 (1)		24,332,369
		15,000,000 (2)		
		(72,696,470) (3)		
		(4,250,000) (4)		
Customer accounts receivable	11,671,512			11,671,512
Allowance for uncollectible accounts	(208,442)			(208,442)
Unbilled revenues	13,256,697			13,256,697
Federal income taxes due from associated company	-			-
Miscellaneous receivables	3,056,597			3,056,597
Materials and supplies	3,160,462			3,160,462
Other	<u>2,455,985</u>			<u>2,455,985</u>
Total current assets	<u>34,671,650</u>	<u>23,053,530</u>		<u>57,725,180</u>
Deferred debits:				
Debt and preferred stock expense	11,892,065	4,250,000 (4)		16,142,065
Expense of rate proceedings	1,128,137			1,128,137
Preliminary survey and investigation	149,414			149,414
Regulatory asset- FAS 109	27,241,713			27,241,713
Other	<u>5,762,454</u>			<u>5,762,454</u>
Total deferred debits	<u>46,173,783</u>	<u>4,250,000</u>		<u>50,423,783</u>
Total Assets	\$ <u>734,773,637</u>	\$ <u>27,303,530</u>		\$ <u>762,077,167</u>

MISSOURI-AMERICAN WATER COMPANY

Balance Sheet as of February 28, 2002 and Pro Forma giving effect as of that date to the Proposed Financing

CAPITAL AND LIABILITIES

	<u>Per Books Adjustments</u>			<u>Pro Forma</u>
Common stock	\$ 86,994,075	\$ 15,000,000	(2)	\$ 101,994,075
Paid in capital	2,764,716			2,764,716
Retained earnings	<u>107,847,816</u>			<u>107,847,816</u>
Total common equity	197,606,607	15,000,000		212,606,607
Preferred stock	2,704,000			2,704,000
Long-term debt	<u>219,250,000</u>	<u>85,000,000</u>	(1)	<u>304,250,000</u>
Total capitalization	<u>419,560,607</u>	<u>100,000,000</u>		<u>519,560,607</u>
Current Liabilities:				
Bank debt-pending issuance of securities	72,696,470	(72,696,470)	(3)	0
Current portion of long-term debt				0
Accounts payable	2,776,593			2,776,593
Taxes accrued	3,936,186			3,936,186
Interest accrued	4,620,431			4,620,431
Dividends declared	259			259
Other	<u>10,709,058</u>			<u>10,709,058</u>
Total current liabilities	<u>94,738,997</u>	<u>(72,696,470)</u>		<u>22,042,527</u>
Deferred Credits:				
Customer advances for construction	51,240,305			51,240,305
Deferred income taxes	56,838,802			56,838,802
Deferred investment tax credit	4,870,845			4,870,845
Reg liability-income taxes refundable thru rates	3,580,418			
Other	<u>11,104,599</u>			<u>11,104,599</u>
Total deferred credits	<u>127,634,969</u>			<u>127,634,969</u>
Contribution in aid of construction	<u>92,839,064</u>			<u>92,839,064</u>
Total Capital and Liabilities	\$ <u>734,773,637</u>	\$ <u>27,303,530</u>		\$ <u>762,077,167</u>

MISSOURI-AMERICAN WATER COMPANY

Notes to the Balance Sheet Adjustments

	<u>Debit</u>	<u>Credit</u>
(1) Cash	\$85,000,000	
Long-term debt		\$85,000,000
To reflect the issuance of \$85,000,000 Mortgage Bonds, -% Series and/or Unsecured Notes.		
(2) Cash	\$15,000,000	
Common stock		\$15,000,000
To reflect the sale of \$15,000,000 aggregate amount of Common Stock or Additional Paid in Capital.		
(3) Notes payable	\$72,696,470	
Cash		\$72,696,470
To reflect the payment of Notes Payable from the proceeds of the issuance of the Bonds and/or Notes.		
(4) Debt and preferred stock expense	\$4,250,000	
Cash		\$4,250,000
To reflect the payment of the estimated additional expense to be incurred in the issuance of the Bonds and/or Notes.		

MISSOURI-AMERICAN WATER COMPANY

Statement of Income for Twelve Months Ended February 28, 2002 and Pro Forma giving effect as of that date to the proposed financ

	<u>Per Books</u>	<u>Adjustments</u>	<u>Pro Forma</u>
Operating revenues	<u>\$ 153,964,703</u>		<u>\$ 153,964,703</u>
Operating expenses:			
Operation and Maintenance	68,694,356		68,694,356
Depreciation and amortization	22,787,532		22,787,532
Taxes on operating income:			
General	11,877,500		11,877,500
State and Federal income	13,989,824	(1,780,616) (5)	12,209,208
Tax savings on acquisition adjustment	<u>104,006</u>		<u>104,006</u>
	<u>117,453,218</u>	<u>(1,780,616)</u>	<u>115,672,602</u>
Utility operating income	36,511,485	1,780,616	38,292,101
Other income:			
Allowance for funds used during construction - Equity	593,525		593,525
Miscellaneous other income-(net)	<u>1,348,691</u>		<u>1,348,691</u>
Total income	<u>38,453,701</u>	<u>1,780,616</u>	<u>40,234,317</u>
Interest charges:			
Interest on long-term debt	14,031,120	5,694,090 (1)	19,725,210
Amortization of debt expense	577,007	141,667 (2)	718,674
Interest on bank debt	1,197,360	(1,197,360) (3)	0
Other interest	27,622		27,622
AFUDC on borrowed funds	<u>(441,738)</u>		<u>(441,738)</u>
Total interest charges	<u>15,391,371</u>	<u>4,638,397</u>	<u>20,029,768</u>
Net income	23,062,330	(2,857,780)	20,204,550
Preferred dividends	<u>242,073</u>	<u>(588)</u> (4)	<u>241,485</u>
Balance available for common equity	<u>\$ 22,820,257</u>	<u>\$ (2,857,192)</u>	<u>\$ 19,963,065</u>

MISSOURI-AMERICAN WATER COMPANY

Notes to the Statement of Income Adjustments

(1) To reflect the annual interest expense on the proposed issuance of the new General Mortgage Bonds and/or Notes Payable as follows:

LONG-TERM DEBT:	Principal		Annualized
First Mortgage Bonds:	<u>Pro Forma</u>	Rate	<u>Interest</u>
Series T, due 02/01/23	14,910,000	5.500%	820,050
Series U, due 06/01/25	11,895,000	5.700%	678,015
Series V, due 1/01/26	19,900,000	5.500%	1,094,500
Series W, due 05/01/07	15,000,000	7.500%	1,125,000
Series X, due 03/01/28	25,000,000	5.100%	1,275,000
Series Y, due 03/01/29	<u>40,000,000</u>	5.000%	<u>2,000,000</u>
	<u>126,705,000</u>		<u>6,992,565</u>
General Mortgage Bonds:			
7.79% Series, due 06/01/27	8,000,000	7.790%	623,200
8.58% Series, due 03/01/25	3,000,000	8.580%	257,400
7.14% Series, due 03/01/34	12,500,000	7.140%	892,500
5.50% Series, due 01/01/23	4,845,000	5.500%	266,475
5.00% Series, due 02/01/28	4,500,000	5.000%	225,000
5.85% Series, due 07/01/26	6,000,000	5.850%	351,000
5.00% Series, due 11/01/28	19,000,000	5.000%	950,000
9.01% Series, due 02/11/05	5,700,000	9.010%	513,570
5.90% Series, due 03/01/30	29,000,000	5.900%	1,711,000
5.20% Series, due 04/01/32	15,000,000	5.200%	780,000
Proposed New Series Bonds and/or Notes	<u>85,000,000</u>	7.250%	<u>6,162,500</u>
	<u>\$ 192,545,000</u>		<u>\$ 12,732,645</u>
Total long-term debt principal & interest Pro Forma	<u>\$ 319,250,000</u>		<u>\$ 19,725,210</u>
Total long-term debt interest for the twelve months ended February 28, 2002			<u>14,031,120</u>
Adjustment			<u>\$ 5,694,090</u>

- (2) To reflect the annual amortization of issuance expense on the issuance of the proposed New Bonds and/or Notes \$ 141,667
- (3) To reflect the elimination of interest expense on Notes Payable refunded from the proceeds of the proposed financing. \$ (1,197,360)
- (4) To reflect the annualized reduction of preferred dividends on the redemption of Preferred Stock.

Cumulative Preferential Stock:	Principal		Annualized
	<u>Pro Forma</u>	Rate	<u>Dividends</u>
9.18% Series	\$ 2,500,000	9.18%	\$ 229,500
5-7/8% Series	<u>204,000</u>	5.875%	<u>11,985</u>
Total preferred stock principal & dividends Pro Forma	<u>\$ 2,704,000</u>		<u>\$ 241,485</u>
Total preferred stock dividends for the twelve months ended November 30, 2001			<u>242,073</u>
Adjustment			<u>\$ (588)</u>
(5) To reflect tax effect on adjustments			<u>\$ (1,780,616)</u>

MISSOURI-AMERICAN WATER COMPANY

GROSS ADDITIONS FOR THE PERIOD
JANUARY 1, 1997 THROUGH FEBRUARY 28, 2002

ACCOUNT NUMBER	DESCRIPTION	1997	1998	1999	2000	2001	01/01/2002 through 2/28/2002	01/01/1997 through 2/28/2002
301	Organization	\$ -	\$ -	\$ -	\$ 912	\$ 28,230	\$ 2,549	\$ 31,690
303	Miscellaneous Intangible Plant	70,113	-	-	2,294	-	-	72,407
310	Land and Land Rights	85,763	-	-	1,199,412	-	-	1,285,175
311	Structures and Improvements	214,176	161,019	25,006	21,284	13,581	3,198	438,265
312	Collecting and Impounding Reservoirs	-	-	-	-	-	-	-
313	Lake, River and Other Intakes	-	8,464	-	-	-	-	8,464
314	Wells and Springs	243,184	367,917	539,467	997,114	108,996	-	2,256,677
315	Infiltration Galleries 8 Tunnels	-	-	716	-	-	-	716
316	Supply Mains	31,055	70,859	113,154	9,851,209	-	-	10,066,277
320	Land and Land Rights	-	-	-	58,808	-	-	58,808
321	Pumping Structures and Improvements	1,314,880	742,602	409,069	4,618,067	136,678	4,942	7,226,238
323	Force Mains	250,012	-	-	5,884	238,870	20,342	515,108
325	Electric Pumping Equipment	2,784,403	2,107,026	1,495,827	5,695,117	792,337	155,734	13,030,444
326	Diesel Pumping Equipment	-	-	866,498	33,936	-	-	900,434
327	Hydraulic Pumping Equipment	-	-	-	81,548	-	-	81,548
328	Other Pumping Equipment	-	-	2,744	38,259	3,527	549	45,079
330	Water Treatment Land and Land Rights	-	-	37,170	2,971	-	-	40,141
331	Water Treatment Structures and Improvements	1,454,603	1,106,547	1,871,306	26,794,329	1,790,959	119,793	33,137,537
332	Water Treatment Equipment	3,299,860	3,507,282	2,905,781	25,317,155	647,711	1,116,146	36,793,934
340	Land and Land Rights	138,540	109,302	65,403	60,715	1,897	-	375,856
341	Structures and Improvements	30,414	14,947	108,180	37,514	11,329	-	202,384
342	Distribution Reservoirs and Standpipes	1,977,288	986,576	289,240	995,361	330,347	1,011	4,579,822
343	Transmission and Distribution Mains	24,788,470	20,587,720	20,122,550	36,131,365	22,392,141	1,185,283	125,207,528
344	Fire Mains	40,304	16,909	18,775	55,643	32,734	4,588	168,952
345	Services	940,600	965,757	1,144,091	1,146,718	1,181,574	134,966	5,513,705
346	Meters	888,975	1,021,972	854,184	1,342,116	501,648	307,829	4,916,724
347	Meter Installations	870,499	903,645	1,165,119	853,845	429,796	108,124	4,331,028
348	Hydrants	1,707,317	1,456,535	1,511,127	1,491,776	1,678,566	146,874	7,992,195
389	Land and Land Rights	-	-	2,390	26	-	-	2,416
390	Structures and Improvements	51,258	42,641	12,071	2,013,782	70,486	6,282	2,196,521
391	Office Furniture and Equipment	644,626	1,239,683	1,010,162	2,291,503	122,728	5,994,503	11,303,206
392	Transportation Equipment	933,105	1,024,189	1,911,579	964,386	1,016,204	20,483	5,869,947
393	Stores Equipment	7,968	3,861	9,179	194,857	31,158	-	247,023
394	Tools, Shop and Garage Equipment	302,568	261,992	222,394	306,205	394,831	49,979	1,537,969
395	Laboratory Equipment	87,801	65,375	244,360	182,050	21,653	-	601,238
396	Power Operated Equipment	946	5,609	1,431	205,573	12,018	-	225,577
397	Communications Equipment	23,729	44,514	30,136	410,711	226,058	-	735,149
398	Miscellaneous Equipment	8,051	5,017	93,144	101,403	51,405	2,304	261,323
399	Other Tangible Property				<u>110,015</u>	<u>36,683</u>		<u>146,698</u>
		\$ <u>43,190,508</u>	\$ <u>36,827,961</u>	\$ <u>37,082,250</u>	\$ <u>123,613,863</u>	\$ <u>32,304,146</u>	\$ <u>9,385,478</u>	\$ 282,404,206

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