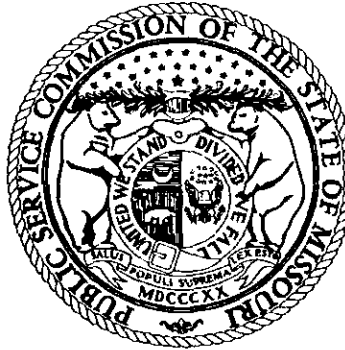


**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**



In the Matter of Missouri-American Water)	
Company for Permission, Approval, and a)	
Certificate of Convenience and Necessity)	
Authorizing it to Construct, Install, Own,)	<u>Case No. WA-97-45</u>
Operate, Control, Manage and Maintain a)	
Water System for the Public in Certain)	
Areas in St. Charles County, Missouri.)	

In the Matter of Missouri-American Water)	
Company's Revised Tariff Filing Concerning)	
Service Connections.)	<u>Case No. WO-97-492</u>

Public Water Supply District No. 2 of)	
St. Charles County, Missouri,)	
Complainant)	
)	<u>Case No. WC-96-441</u>

vs.)	
)	
Missouri-American Water Company,)	
Respondent.)	

REPORT AND ORDER

Issue Date: November 26, 1997

Effective Date: December 9, 1997

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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Certificate of Convenience and Necessity)	
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St. Charles County, Missouri,)	
Complainant,)	
)	<u>Case No. WC-96-441</u>
vs.)	
)	
Missouri-American Water Company,)	
Respondent.)	

APPEARANCES

W.R. England III, Attorney at Law, Brydon, Swearngen & England, P.C., 312 East Capitol Avenue, Post Office Box 456, Jefferson City, Missouri 65102-0456, for Missouri-American Water Company.

Charles Brent Stewart, Attorney at Law, Stewart & Keevil, L.L.C., 1001 Cherry Street, Suite 302, Columbia, Missouri 65201-7931, for Public Water Supply District No. 2 of St. Charles County.

John B. Coffman, Senior Public Counsel, Office of the Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, for the Office of the Public Counsel and the public.

R. Blair Hosford, Assistant General Counsel, Post Office Box 360, Jefferson City, Missouri 65102, for the Staff of the Missouri Public Service Commission.

REGULATORY
LAW JUDGE:

Joseph A. Derque III.

REPORT AND ORDER

Procedural History

These three cases involve the question of service to an unincorporated area of St. Charles County located on and around the eastern boundary of one of the designated service areas of Missouri-American Water Company (MAWC). MAWC is an investor-owned utility, regulated by the Missouri Public Service Commission (Commission), and engaged in the provision of water service to the general public. This unincorporated area may be referred to as the "Highway K" area. On June 18, 1996, a complaint was filed by Public Water Supply District No. 2 of St. Charles County (District No. 2). The complaint alleged encroachment by MAWC into an area west of Highway K, in violation of an agreement which District No. 2 entered into with MAWC regarding their respective service area boundaries. The complaint also alleged MAWC was in violation of its certificate of convenience and necessity. After investigation by the Staff of the Commission (Staff), a procedural schedule was established in this case.

On August 2 MAWC filed an application with the Commission requesting a certificate of convenience and necessity to serve three areas of unincorporated St. Charles County, including the Highway K area in question in the complaint case. Intervention was granted to District No. 2. A procedural schedule was also set to coincide with the hearing of the complaint.

Finally, on May 7, 1997, MAWC filed tariff changes to waive its connection fee, specifically to serve two subdivisions being constructed in the Highway K area. District No. 2 filed an application for intervention and a motion to suspend the tariff changes. Rather than force the Commission to suspend the tariff changes, MAWC withdrew them and moved

for a variance from its tariff regarding service connection fees. On June 5 District No. 2 filed a motion for "creation of a docket." In that motion District No. 2 requested the Commission open a new docket for the hearing of the waiver request or, alternately, deny the waiver.

The Commission ordered the three cases consolidated. Also, a procedural schedule was established for the evidentiary hearing of the consolidated cases.

The evidentiary hearing was held September 9-10, 1997 and, after initial and reply briefs, the consolidated cases were submitted to the Commission for decision on October 30, 1997.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact.

The Commission has reviewed and considered all of the evidence and arguments presented by the various parties and intervenors in this case. Some evidence and positions of parties on some issues may not be addressed by the Commission. The failure of the Commission to mention a piece of evidence or a position of a party indicates that, while the evidence or position was considered, it was not found relevant or necessary to the resolution of the particular issue.

MAWC is a public utility regulated by the Commission and provides water service to approximately 90,000 customers in seven separate districts throughout the state of Missouri. These consolidated cases involve one MAWC district, that being the St. Charles County district. MAWC currently serves approximately 23,000 customers in that district. In the testimony and exhibits, the specific areas in question in the St. Charles district are referred to as Areas 1, 2 and 3. A metes and bounds description of

these three areas and a map depicting their location are contained in the testimony of MAWC witness William F. L'Ecuyer, were admitted into evidence at the evidentiary hearing, and are appended to this Report and Order corporately as Attachment A.

Testimony reveals that MAWC currently serves one customer in Area 1, that being a sewage treatment facility. MAWC received two requests to provide service to residential developments in Area 1, but both requests were withdrawn when the potential customers decided to take service from District No. 2. MAWC has withdrawn its request for waiver of service connection fees as a result, but Case No. WC-97-492 remains open for consideration by the Commission of a MAWC proposal to establish financial criteria and analysis to attempt to streamline the certification process when faced with competition for new service areas.

MAWC has had a presence in Area 2 for some time in the form of transportation pipelines and equipment to carry water from the St. Charles County treatment plant of the MAWC service area. Recently, MAWC has been providing service to three commercial customers, including the Francis Howell School District, after St. Charles County abandoned its service to those customers.

Two newly developed subdivisions are located in both Area 3 and the current MAWC service area. In the case of both subdivisions, Butternut Stage and Calumet Ranch, the boundary of the MAWC service area bisects the subdivision creating a situation in which a portion of each subdivision is in, and a portion is out, of the current MAWC service area. MAWC began serving both subdivisions from water mains inside its service area and continued to serve both subdivisions as they grew past the current MAWC service area boundary.

Three issues have been presented to the Commission for decision. The first involves whether MAWC should be granted a certificate of

convenience and necessity for Areas 1, 2 and 3. The second involves the original complaint by the district that MAWC has operated outside its certificated area and has violated the alleged "Highway K" agreement between MAWC and District No. 2. The remaining issue involves consideration of an established procedure, either on a case-by-case basis, company basis or overall basis, for financial analysis and quick processing of applications for a certificate in areas in which a regulated utility is faced with unregulated competition. The Commission will deal with each issue separately.

I. Request for Certificate of Convenience and Necessity in Areas 1, 2 and 3.

At the outset of the discussion of the three areas in question, the Commission would restate the standards for issuance of a certificate of convenience and necessity.

In accordance with Section 393.170, RSMO 1996, the Commission has authorization to grant a certificate when such a certificate is necessary or convenient for the public service. The Commission has applied this discretionary standard partly by defining public necessity as including a determination of financial ability to provide the requested service, a public interest in preventing undesirable competition and duplication of service, and a public need and interest in provision of the service. State ex rel. Intercon Gas Inc., 848 S.W.2d 593 (Mo. App. 1993). The Commission will apply these standards to the MAWC applications for the three areas in question.

Area 1 - Testimony reflects that, upon request, MAWC began to provide service to the Duck Creek water treatment plant in Area 1 and subsequently obtained a conditional certificate from the Commission to do so by order of October 18, 1997. MAWC also bid to serve two subdivision developments but lost those bids to District No. 2.

Area 2 - MAWC is currently serving three customers in Area 2, including the Francis Howell School District. MAWC has had a presence in Area 2 for some time in that it has maintained a transportation pipeline through the area to the St. Charles County treatment facility for the provision of water for its service territory. MAWC began to serve the school and other customers when St. Charles County abandoned service to them.

Area 3 - This area has seen the most competition between MAWC and District No. 2 and contains a number of rapidly developing subdivisions. Some are currently being served by District No. 2 and two subdivisions, Calumet Ranch and Butternut Stage, are being served by MAWC. Calumet Ranch and Butternut Stage are both one-half in and one-half outside the current MAWC service area. MAWC began serving each subdivision from mains in its own service area and expanded its service system as the subdivisions grew. MAWC notes that, at the time, it was unable to determine exactly where the north and west boundaries of its service territory were in relation to either subdivision as both lines lay somewhere in the middle of the respective neighborhoods. A map depicting the location of the two subdivisions as they relate to the current boundary of the MAWC service territory was entered into evidence as Schedule WDM-SRL to the surrebuttal testimony of MAWC witness Wayne D. Morgan and is appended to this report and order as Attachment B.

The Staff is of the opinion that the requested certificates for Areas 1 and 2 are reasonable and should be granted. In regard to Area 3, the Staff has taken into consideration the potential for overlap of service areas between the district and MAWC and also the potential for uneconomic competition and potential inefficiencies. Staff witness Merciel points out that dividing the Calumet Ranch and Butternut Stage areas between two competing utilities would, likely, result in inefficient service through

multiple mains and various "dead-end" service lines. However, the Staff recommends approval of the certificate for the Calumet Ranch area only. Presumably, the Staff would allow MAWC to continue to serve that portion of the Butternut Stage area already in its current service territory.

The Office of the Public Counsel (OPC) takes no position on the granting of the requested certificates for any of the three areas in question.

District No. 2 has challenged the applications of MAWC on two fronts, those being that the past alleged activities of MAWC in serving outside its service territory without permission should preclude it from expanding and that District No. 2 also has the ability and willingness of the district to serve the three areas in question. District No. 2 maintains that the Commission should consider the effect of allowing MAWC to expand given the competitive situation now existing in the certificated area of MAWC where it adjoins and overlaps the area which District No. 2 considers its service area.

District No. 2 maintains that, because MAWC has operated outside its authorized service territory in all three areas, and because MAWC has taken a cavalier attitude regarding the certification process and this Commission's statutory authority, MAWC should, in effect, be punished by being restricted to its current service territory.

The Commission finds the evidence largely uncontroverted in that MAWC has operated in all three areas without the requisite certificate of convenience and necessity from this Commission. This is the basis of the complaint case filed by District No. 2 which began this entire proceeding. MAWC has various reasons for its actions, but those matters will be left for the Commission's determination in the complaint portion of this Report and Order.

The evidence presented by District No. 2, MAWC and the Staff appears to indicate that District No. 2 has been aggressive in unilaterally expanding the territory in which it is willing to provide service to include much of the St. Charles County regulated service territory of MAWC and other areas comprising all of the west half of St. Charles County. No evidence is on record to indicate whether District No. 2 is now serving, has the ability to serve or has the legal obligation to serve all of its claimed service area. The district has expressed its willingness to serve all of Areas 1, 2 and 3, although the evidence is somewhat lacking regarding its financial ability and capability to do so.

The Commission finds that to punish MAWC by refusing to issue the requested certificates would be a disservice to the MAWC ratepayers by not allowing MAWC to fairly compete with unregulated utilities in areas where it is economically favorable to do so.

Application of the standards for granting a certificate of convenience and necessity may include consideration of adequacy of service. No question exists in this record that MAWC's service has been, or is anticipated to be, inadequate. The Commission may also consider the desirability of competition. The desirability of competition will be considered later in this case along with the issue of future variance requests.

The Commission finds that MAWC has complied with the standards as set out above in applying for service in Areas 1 and 2 and that issuance of certificates for MAWC to serve those two areas is in the public interest.

In regard to Area 3, the Commission finds that it is in the public interest to allow MAWC to serve all of both the Butternut Stage and Calumet Ranch subdivisions but to limit the requested certificate to the boundaries of each subdivision as depicted in Attachment B. MAWC will be granted a

certificate of convenience and necessity for only that portion of Area 3 containing the Butternut Stage and Calumet Ranch subdivisions. MAWC will be required to file an accurate map and metes and bounds description of those subdivisions.

II. The "Highway K" Agreement and the Provision of Service by MAWC Outside its Certificated Area.

Initially, District No. 2 alleged that an agreement existed between itself and MAWC by which the parties agreed to voluntarily limit their service activities to "within one subdivision" of Highway K. As shown by Attachment A, Highway K is a north-south road in the overlap area between the companies. The admissible evidence reflects that no written formalization of this alleged agreement can be found and there is no evidence of record indicating a formal written agreement ever existed. In addition, before this Commission would enforce such an agreement, it must be approved under Section 247.172, RSMo.

The Commission finds that no legal agreement exists between MAWC and District No. 2 regarding the Highway K area.

In regard to the allegations that MAWC operated outside its certificated area without Commission authorization, the Commission finds that the facts of record indicate that MAWC operated outside its service area by serving the wastewater treatment plant in Area 1, the Francis Howell School and several other commercial customers in Area 2, and parts of the Calumet Ranch and Butternut Stage subdivisions in Area 3.

MAWC offers various explanations for the infractions in each area.

In regard to the provision of service to the treatment plant, MAWC explains that, when the facility was complete, MAWC had the only "presence" in the area and saw the necessity of providing service to this customer who, it is alleged, would have been without service otherwise.

In regard to Area 2, MAWC offers the fact that it has had, since assuming ownership of the company, a transportation pipeline through this area. The area was being served by St. Charles County. At some point St. Charles County decided to abandon service. This service was assumed by MAWC. MAWC points out that the three customers in this area are all commercial customers, including a school. Again, MAWC seemed to have a "presence" in the area and appeared to be the most economically efficient and practical choice to assume responsibility for the existing customers.

Area 3 is, in the opinion of the Staff, the most controversial of the three areas. Evidence shows that both the district and MAWC are currently serving various subdivisions in this area, with the potential for additional expansion. MAWC began serving the Butternut Stage and Calumet subdivisions within its own service area. As the subdivisions grew across the service area boundary, MAWC apparently continued to expand its system along with the ongoing construction. MAWC submitted testimony that it could not tell exactly where the boundaries were as both the north and west boundaries of Area 3 bisect the subdivisions in the middle, more or less, as shown in Attachment B. MAWC adds that it would be totally impractical from both a financial and engineering standpoint to serve only one-half of either subdivision.

The Commission finds that MAWC operated outside its approved service area in all three areas. That fact is largely undisputed. To ensure that this will not take place in the future, the Commission finds that MAWC, with the assistance of the Staff and OPC, shall examine MAWC's current tariff for the purpose of comparing it with MAWC's service territory in the state of Missouri. MAWC will then make an on-the-ground inspection of all areas in which it serves in the state of Missouri to determine with certainty that it is not operating outside its service area in any location and that it is in full and exact compliance with its

authorized certificates of convenience and necessity. MAWC will also file maps and metes and bounds descriptions of all authorized service territory in this state to ensure that a full, complete and accurate set is currently on record with the Commission. Should MAWC discover that it is currently serving outside its service area in any location it will immediately file an application for issuance of a certificate of convenience and necessity, without penalty. Each request will be filed separately for each discrete area.

MAWC will accomplish the above survey no later than 60 days from the effective date of this order. Upon completion, a full report of the results of this survey, together with corrective measures taken, will be filed in this docket along with either the consent or comments of the Staff and OPC.

As a result of its findings on this issue, the Commission reserves the right up to the time MAWC fully complies with the requirements of this Report and Order to authorize the Commission's General Counsel, sua sponte, to seek penalties in the Circuit Court of Cole County for MAWC's violations of the statutes of the State of Missouri as set out in the findings of fact and conclusions of law in this Report and Order. The Commission would also caution MAWC that any future violations involving operation outside its service territory subsequent to MAWC achieving full compliance with the Commission's instructions set out above will likely result in Commission authorization for the Commission's General Counsel to seek penalties under Section 386.600, RSMo.

III. The Variance and Procedure for Waiver of Service Connection Fees.

In Case No. WO-97-492, MAWC originally filed tariff changes designed to eliminate service connection fees. That request was later withdrawn and a one-time variance from MAWC's existing service connection

fee tariff was requested to allow MAWC to attempt to obtain the contract to serve two planned subdivisions in Area 1, those being McClure Village and Prairie Village. Testimony at the evidentiary hearing of these cases revealed that both subdivisions had subsequently contracted with District No. 2 for the provision of service. In its brief MAWC states that, even so, this issue is not moot as contracts can be canceled and any number of other things can take place to alter the situation. MAWC also states that "MAWC does not believe this issue is moot until the water district is actually serving all 1,000 customers in the two subdivisions."

The Commission finds that the evidence in this case, at the point when the record was closed, indicates that all parties, including MAWC, agreed that the opportunity was lost for MAWC to serve the two subdivisions and that, therefore, the requested variance was no longer appropriate. The Commission, therefore, considers this issue to be moot and will make no finding on the variance request.

As a result of the above occurrence, however, the parties included a MAWC-sponsored proposal in the hearing memorandum requesting the Commission to establish a procedure for the efficient evaluation of future variance requests. The parties submitted testimony in that regard.

MAWC argues that, in order to avoid unnecessary delays in acquiring Commission approval to serve new areas and therefore avoid losing the opportunity, as happened in the case of McClure and Prairie Villages, a procedure should be established to evaluate the feasibility of providing new service and granting necessary fee waivers. MAWC notes that such a procedure has been established by the Commission for dealing with competition between unregulated electric cooperatives and Union Electric Company. MAWC urges the Commission to enact a similar policy, which enables MAWC to obtain a decision by the Commission regarding proposed waivers in an efficient and expedited manner.

The Staff states that, although competitive situations should be avoided where possible, there should be an effective mechanism in place to allow for the timely review of proposed waivers of service connection fees. The Staff is of the opinion that a protracted procedure by only one competing party to obtain authorization to serve an area tends to inhibit fair competition. In the testimony of Staff witness Jim Merciel, the Staff recommends a procedure which streamlines the waiver process by using preestablished criteria for evaluation. The Staff proposes the following criteria:

- A showing of bonafide competition between water suppliers for new customers;
- A demonstration that the addition of customers for whom the waiver applies would not result in a positive revenue requirement;
- In the event a positive revenue requirement does actually result from the transaction then that additional revenue requirement will be borne by the utility's stockholders, not its ratepayers;
- The utility must provide the Staff and the Office of the Public Counsel with reasonable and adequate documentation.

The OPC generally agrees with the concept of setting standards for an expedited waiver process and takes issue only with MAWC's original economic impact calculation, in that funds used during construction (AFUDC) were used to calculate net income, and the number of years and formula used for analysis of the connection fee waivers were generally too long.

In regard to the AFUDC issue, all parties seem to agree to accept the OPC position that AFUDC should not be included in the net income calculation. Disagreement still exists regarding the appropriate time frame for analysis of cost recovery. The OPC, through the testimony of OPC witness Kimberly Bolin, supports establishing a two-fold standard: (1) that MAWC demonstrate a positive net income will result in a three-year

period from the date that any new construction is expected to be placed in service and (2) that MAWC demonstrate that net income from the proposed project will be greater than the cost of waived connection fees within a five-year period.

MAWC argues that it is willing to hold its ratepayers harmless as a result of waiver of connection fees and, alternatively does not wish to use the OPC time frame, preferring to use a longer time period or starting date beginning after final construction.

The Commission, in making its decision, notes that MAWC and all regulated water and sewer utilities in the state, are required to provide service to all persons in an authorized service area while unregulated utilities, such as District No. 2, are not. This allows District No. 2 to assume increased service area without the obligation or financial risk associated with providing service to inconvenient or financially risky customers. In short, in a competitive environment, District No. 2 may "cherry pick" while MAWC may not. Further, MAWC is required to obtain permission from this Commission to expand its service territory. As has been stated, part of that process entails an evaluation of the financial soundness of the proposed expansion. While it is clear that this process must take place, MAWC's argument involving the time consumed in the process is convincing, particularly in light of the loss of the opportunity by MAWC to serve the McClure and Prairie Village subdivisions partly due to time constraints. While competition may or may not be in the best interests of ratepayers and the public as a whole in any given situation, the type of destructive competition that is fomenting between MAWC, a regulated utility, and District No. 2, a political entity that is not subject to the financial and competitive restrictions of a regulated utility, will likely be harmful to the public if left unchecked.

This is reflected in the evidence presented by MAWC on cross-examination of the district's witnesses. Financial records of the district revealed a debt coverage ratio of slightly over 1.00. This appears to be the result of investment of earnings in the construction of unreimbursed physical plant for new subdivisions. Typical debt coverage for a regulated utility in Missouri is maintained at a ratio of approximately 2.50, partly to maintain the financial quality necessary for an investment grade bond rating.

The Commission would not encourage an investor-owned, regulated utility to engage in competition for new development which might produce financials which are substantially less than investment grade. The Commission is willing to extend to MAWC the same opportunity given to Union Electric to properly compete on a level playing field but, to ensure proper financial accountability, ratepayer fairness, and reasonable recovery of costs, MAWC must augment the proposed criteria by adopting a modification of the proposed additional OPC requirements.

The Commission will adopt the service connection fee waiver procedure as proposed by MAWC and currently used by Union Electric Company with the following additions: (1) the procedure will be on a case-by-case basis and will be specific to MAWC, (2) the four conditions suggested by the Staff will be adopted for this procedure and (3) MAWC will demonstrate that a positive net income will likely be achieved within a five-year period from the time the first new construction is placed in service. MAWC will be ordered to file tariffs in compliance with the Commission's findings and reflecting the above three additions.

Conclusions of Law

The Missouri Public Service Commission has reached the following conclusions of law.

Missouri-American Water Company is a public utility engaged in the business of providing water service to the public in the state of Missouri and, as such, subject to the general jurisdiction of the Commission pursuant to Chapters 386 and 393, RSMo 1996.

A complaint may be made to the Commission pursuant to Section 386.390, RSMo 1996, and 4 CSR 240-2.070 of the Commission's rules.

In accordance with Section 393.170, RSMo 1996, public utilities must obtain prior Commission approval to operate outside its own Commission-approved service territory.

In accordance with Sections 386.570 and 386.600, RSMo 1996, the Commission may authorize its General Counsel to seek monetary penalties in the circuit courts of this state where the Commission finds that a public utility has failed to comply with any law, rule, or order of the Commission.

The Commission has authority under Section 393.170, RSMo 1996, to grant permission and approval to construct and operate a franchised service area should the Commission find, after hearing, that the franchise is necessary or convenient for the public service and, under Section 393.170, RSMo 1996, has the authority to determine the scope and area of service and to impose conditions it may deem reasonable and necessary.

Orders of the Commission must be based on substantial and competent evidence, taken on the record as a whole, and must be reasonable, and not arbitrary, capricious or contrary to law. In this regard the Commission has considered all substantial, competent and relevant evidence in these consolidated cases and determines the following:

1. That granting of the application of Missouri-American Water Company for a certificate of convenience and necessity for Areas 1 and 2,

as set out in this Report and Order and Attachment A hereto, are necessary and convenient for the public service and in the best interest of the public and are granted.

2. That granting of the application of Missouri-American Water Company for a certificate of convenience and necessity for Area 3, as set out in Attachment B and of this Report and Order, is granted only to the extent and limits of the boundaries of the Butternut Stage and Calumet Ranch subdivisions as they are officially platted in the Recorder's Office of the County of St. Charles.

3. That Missouri-American Water Company is found to have operated outside its service area in Areas 1, 2 and 3 as set out in this Report and Order in violation of Sections 393.170 and 386.570, RSMo 1996.

IT IS THEREFORE ORDERED:

1. That the application of Missouri-American Water Company for certificates of convenience and necessity to construct, install own, operate, control and manage water supply and distribution systems in Areas 1 and 2, as set out in this Report and Order and Attachment A to this Report and Order is hereby granted.

2. That the application of Missouri-American Water Company to construct, install, own, operate, control and manage a water supply and distribution system in Area 3 is granted only to the extent specified in this Report and Order and Attachment B hereto.

3. That Missouri-American Water Company is hereby instructed to carry out and complete the above-described survey of its service territory and examine its tariffs currently on file to ensure that the territories described in the tariffs are consistent with its certificated service area.

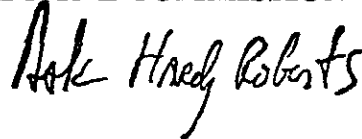
4. That MAWC is authorized to initiate a procedure and file tariffs authorizing the waiver of service connection fees in accordance with this Report and Order.

5. MAWC shall file all necessary reports, tariff sheets, maps, descriptions and applications no later than 60 days following the effective date of this Report and Order.

6. That Missouri-American Water Company is ordered to file proposed tariffs as necessary, in full compliance with this order, no later than ten days from the date this Report and Order is issued.

7. That this order shall become effective on December 9, 1997.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

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

Dated at Jefferson City, Missouri,
on this 26th day of November, 1997.

MISSOURI-AMERICAN WATER COMPANY
ST. CHARLES DISTRICT

CC & N AREA

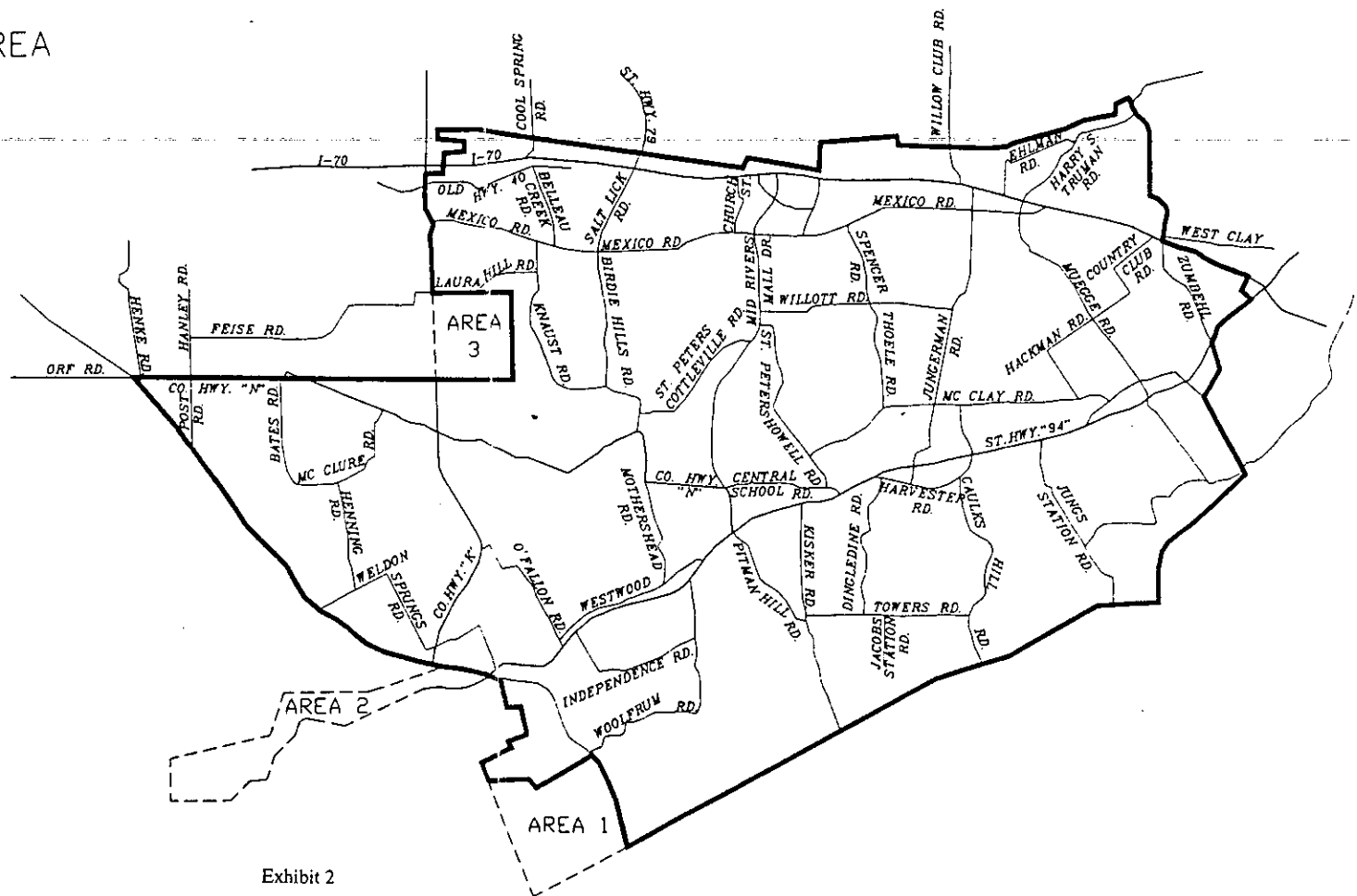


Exhibit 2

MISSOURI-AMERICAN WATER COMPANY
ST. CHARLES DISTRICT

DESCRIPTION OF LAND TO BE ADDED
TO CERTIFICATED AREA IN
ST. CHARLES COUNTY, MISSOURI

(AREA 1)

A tract of land being part of Sections 33, 34 and 35 of Township 46 North, Range 3 East, and part of Sections 3 and 4 of Township 45 North, Range 3 East, St. Charles County, Missouri, and more particularly described as follows:

Commencing at the intersection of the north right-of-way line of the Katy Trail State Park (formerly know as the M.K. & T. Railroad) with the centerline of U.S. Highway 40-61, which intersection point is on existing Certificated Area line, and which intersection point is the POINT OF BEGINNING OF THE TRACT OF LAND HEREIN DESCRIBED; thence northwestwardly along the centerline of U.S. Highway 40-61 and the existing Certificated Area line to a point known as Sta. 632+37.51; thence leaving the centerline of U.S. Highway 40-61 and continuing along the existing Certificated Area line the following courses and distances: South 70° 56' 56" West 3,809.47 feet, North 18° 26' 06" West 790.57 feet and North 74° 47' 46" West 1,900.86 feet to a point on the west line of the Missouri Research Park; thence leaving the existing Certificated Area line and southeastwardly along the west line of the Missouri Research Park and the prolongation thereof to a point on the north right-of-way line of the Katy Trail State Park (formerly known as the M.K. & T. Railroad); thence northeastwardly along the north right-of-way line of the Katy Trail State Park to the POINT OF BEGINNING.

AREA #1

Missouri Bluffs Golf Club
18 Research Park Circle
St. Charles, MO 63304

Duckett Creek Sewer District
2950 Greens Bottom Road
St. Charles, MO 63303

Schedule WFL-4

**MISSOURI-AMERICAN WATER COMPANY
ST. CHARLES DISTRICT**

**DESCRIPTION OF LAND TO BE ADDED
TO CERTIFICATED AREA IN
ST. CHARLES COUNTY, MISSOURI**

(AREA 3)

A tract of land being all of Section 4, Township 46 North, Range 3 East, St. Charles County, Missouri, and being more particularly described as follows:

Commencing at the southeast corner of Section 4, T. 46 N., R. 3 E., which corner is on the existing Certificated Area line, and which corner is the **POINT OF BEGINNING OF THE TRACT OF LAND HEREIN DESCRIBED**; thence westwardly along the south line of said Section 4, and along the existing Certificated Area line to a point marking the southwest corner of Section 4; thence leaving the existing Certificated Area Line and northwardly along the west line of Section 4 to a point marking the northwest corner of Section 4; thence eastwardly along the north line of said Section 4, and along the existing Certificated Area line to a point marking the northeast corner of said Section 4; thence southwardly along the east line of said Section 4 and along the existing Certificated Area line to the **POINT OF BEGINNING**.

MISSOURI-AMERICAN WATER COMPANY
ST. CHARLES DISTRICT

DESCRIPTION OF LAND TO BE ADDED
TO CERTIFICATED AREA IN
ST. CHARLES COUNTY, MISSOURI

(AREA 2)

A tract of land being part of U.S. Survey 1796, part of U.S. Survey 1669, part of Fractional Sections 31 and 32 of Township 46 North, Range 3 East, part of U.S. Survey 1798, and part of Section 6 of Township 45 North, Range 3 East, St. Charles County, Missouri and being more particularly described as follows:

Commencing at the intersection of the centerline of U.S. Highway 40-61 with the centerline of Missouri State Highway "N", which intersection point is on the existing Certificated Area line; thence southeastwardly along the centerline of U.S. Highway 40-61 and along the existing Certificated Area line to a point marking the intersection of the centerline of U.S. Highway 40-61 with the north line of U.S. Survey 1796, which point is the **POINT OF BEGINNING OF THE TRACT OF LAND HEREIN DESCRIBED**; thence leaving the existing Certificated Area line and southwestwardly along the north line of U.S. Survey 1796 to a point marking the most western corner of said U.S. Survey 1796; thence southwesterly to a point marking the intersection of the west line of U.S. Survey 1669 with the north line of Fractional Section 32, T. 46 N., R. 3 E.; thence westwardly along the north line of said Fractional Section 32 to a point marking the common corner of Fractional Sections 29, 30, 31 and 32 of T. 46 N., R. 3 E.; thence westwardly along the north line of said Fractional Section 31 to a point marking the intersection of the north line of said Fractional Section 31 with the east line of U.S. Survey 1798; thence southwardly along the east line of U.S. Survey 1798, 3000 feet; thence southwestwardly to a point marking the intersection of the township line between T. 46 N. and T. 45 N. with the range between R. 2 E. and R. 3 E.; thence southwardly along the west line of Section 6, T. 45 N. R. 3 E. to a point marking the southwest corner of the northwest quarter of the northwest quarter of said Section 6; thence eastwardly along the south line of the north half of the northwest quarter of said Section 6 to a point marking the southwest corner of the northwest quarter of the northeast quarter of said Section 6; thence eastwardly along the south line of the northwest quarter of the northeast quarter of said Section 6 to a point marking the intersection of the said south line of the northwest quarter of the northeast quarter of Section 6 with the south right-of-way line of Missouri Route 94; thence northeastwardly along the south right-of-way line of Missouri Route 94 to a point marking the intersection of the south right-of-way line of Missouri Route 94 with the centerline of U.S. Highway 40-61, which point is on the existing Certificated Area line; thence northwestwardly along the centerline of U.S. Highway 40-61, and along the existing Certificated Area line to the **POINT OF BEGINNING**.

AREA #2

Francis Howell High School
4545 Central School
St. Charles, MO 63304

Missouri Highway & Transportation
1590 Woodlake Drive
Chesterfield, MO 63017

Missouri Conservation Department
2360 Highway D
St. Charles, MO 63304

MK Fergusen
7295 Highway 94 South
St. Charles, MO 63304

Schedule WFL-6

