

TERRITORIAL AGREEMENT

This Agreement made and entered into this 4th day of October, 2000 by and between Public Water Supply District No. 2 of St. Charles County, Missouri (hereinafter the "District") and Missouri-American Water Company (hereinafter the "Company").

Whereas, the District is a political corporation of the State of Missouri located in St. Charles and Warren Counties organized and existing under Sections 247.010 to 247.220 RSMo. for the purpose of providing conveniences in the use of water, ample in quantity for all needful purposes and pure and wholesome in quality, furnished from common sources of supply to many inhabitants of the District now denied such privileges thereby promoting public health and sanitation, and making available conveniences not otherwise possible for the general public welfare; and

Whereas, the Company is a corporation of the State of Missouri and is a water corporation as defined by Chapter 386 RSMo. and is authorized to sell and distribute water subject to regulation by the Missouri Public Service Commission ("PSC"); and

Whereas, the District's and the Company's boundaries are not coequal but do overlap in certain portions of their respective areas; and

Whereas, Section 247.172 RSMo. provides that competition to sell and distribute water, as between and among public water supply districts and water corporations subject to Missouri Public Service Commission jurisdiction may be displaced by written territorial agreements upon approval of the Missouri Public Service Commission; and

Whereas, the District and the Company desire to enter into this Agreement in order to avoid wasteful duplication of facilities, stranded investment and underutilized

system capacity and to allow orderly development, efficient planning for water system expansion and improvement, effective utilization of existing and future system capacity, efficient service and to minimize disputes which may result in higher costs in serving each party's respective inhabitants.

Now, Therefore, in consideration of the mutual covenants, conditions, obligations, promises, restrictions and agreements herein contained, the District and the Company agree as follows:

1. For purposes of this Agreement the following terms shall have the following meaning:

a. Company: Missouri-American Water Company.

b. Customer: includes any natural person, firm, association, partnership, business trust, public or private corporation, political subdivision or any agency, board, department or bureau of the State of Missouri or the U.S. Government or any other legal entity which has requested or is receiving water service. Any customer who has requested or is receiving water service at more than one structure shall be a new and different customer at each structure at which water service has been requested.

c. Customer service lines: includes all water service lines from the water main to the customer.

d. District: Public Water Supply District No. 2 of St. Charles County, Missouri

e. Service: shall mean water supply service to a customer.

f. Structure: shall mean an agricultural, residential, commercial, industrial or other building or a mechanical installation, machinery or apparatus. A "structure" shall include an original structure and any contiguous addition to or expansion thereto and a replacement of a previously existing structure.

2. The District shall have the exclusive right to provide service to all existing and future customers located within its service area as shown on Exhibit A.

3. The Company shall have the exclusive right to provide service to all existing and future customers located within its service area shown on Exhibit B.

4. Neither party may furnish, make available, render or extend service to a structure or customer or for use within the territory of the other party either directly, indirectly or through another entity controlled by the party or controlling the party, in whole or in part, excepting sales to each other.

5. The location of a structure or customer for purposes of this Agreement shall be the geographical location at which service is actually used, regardless of the metering point or point of delivery. The first owner of a new structure who requests and receives service at a structure which is located on or crossed by any mutual boundary line described in Paragraphs 2 and 3 dividing the service territories of the parties shall be permitted to choose either party for permanent service. Thereafter that party shall exclusively serve that structure.

6. The parties may agree on a case-by-case basis by an Addendum hereto to allow a structure to receive service from one party though the structure is located in the service area of the other.

Such Addendum referred to above shall be filed with the Executive Secretary of the Missouri Public Service Commission in the same manner as a motion or other pleading, with a copy submitted to the Office of Public Counsel.

Each Addendum shall consist of a notarized statement identifying the structure, the party to serve the structure and the justification for the Addendum and indicating that the parties support the Addendum.

Each Addendum shall be accompanied by a notarized statement, signed by the customer to be served which acknowledges such customer's receipt of notice of the contemplated service to be provided and that the Addendum represents an exception to the territorial boundaries approved by the Public Service Commission and shall indicate the customer's consent to be served by the Party contemplated by the Addendum.

If the Staff of the Public Service Commission or Office of Public Counsel do not submit a pleading objecting to the Addendum within forty-five (45) days of the filing thereof, the Addendum shall be deemed approved by the aforesaid parties. However, if a pleading in opposition to the Addendum is filed by the above listed parties, the Commission shall schedule an evidentiary hearing at the earliest reasonable opportunity to determine whether the Addendum should be approved. Each Addendum shall contain a statement in bold uppercase typeface indicating that the Staff or Office of Public Counsel has forty-five (45) days to oppose the Addendum or else the Addendum shall be deemed approved by the aforesaid parties.

Each party, pursuant to an executed Addendum, shall have the right to provide temporary service until the Commission approves or disapproves the Addendum. No party shall be required to remove any facilities installed pursuant to an Addendum until the effective date of an Order of the Commission or a court regarding the removal of same.

7 This Agreement shall become effective upon approval by the Missouri Public Service Commission pursuant to Section 247.172 RSMo. The term of this Agreement shall be thirty (30) years. Performance of the parties is contingent upon all of the following having occurred no later than March 1, 2001, unless such condition is

waived, extended or modified by agreement in writing signed by an officer of each party hereto:

a: All required approvals of the Company's Board of Directors or parent corporation.

b: All required approvals of the District's Board of Directors.

c: Approval of the transaction by the Public Service Commission of Missouri.

8. The parties agree to undertake all actions reasonably necessary to implement this Agreement. The parties also agree to share the cost of filing an application for approval of this Agreement, the cost of transcript fees, and other costs. Each party shall bear their own attorney's fees.

9. In the event any controversy or claim by or against either party arises out of this transaction or the subject matter hereof after the effective date of this Agreement, each party shall make available to the other copies of such relevant records as may reasonably be requested pertaining to the controversy or claim.

10. If either party shall default in their performance under this Agreement or in the event of a breach of this Agreement, which default or breach results in the expenditure of attorney's fees to enforce the terms of this Agreement or to recover damages for breach of this Agreement, then the prevailing party shall receive their reasonable and actually incurred attorney's fees and costs in addition to any other damages recovered. In the event of a breach or threatened breach by either party the other party shall be entitled to seek an injunction restraining the breach or threatened breach in addition to any other remedies available at law or in equity.

11. If the Public Service Commission of Missouri does not approve the provisions of this Agreement, then it shall be nullified and of no legal effect between the parties. Further, if any part of this Agreement is declared invalid or void by a Court or agency of competent jurisdiction, then the whole Agreement shall be deemed invalid and void.

12. Neither the boundaries described by this Agreement nor any term of this Agreement may be modified, repealed or changed except by a writing mutually approved by the respective parties and by the Missouri Public Service Commission.

13. This Agreement shall be binding on the parties and all successors, assigns, parent corporations or affiliates of the Company and the District.

14. This Agreement shall in no way affect either party's right to construct such collection, distribution, treatment, storage, pumping, production and transmission facilities within the designated service area of the other as that party deems necessary, appropriate or convenient to provide service to its customers not inconsistent with the terms of this Agreement and as otherwise allowed by law. This Agreement shall in no way affect either party's right to construct, operate, maintain and repair such sanitary sewer collection and sanitary treatment facilities within the designated service area of the other as that party deems necessary, appropriate or convenient to provide sanitary sewer service to its customers as allowed by law.

15. This Agreement constitutes the entire agreement between the parties relating to the allocation of water service rights in the territory described herein.

IN WITNESS WHEREOF, the parties have executed this agreement this 4TH
day of OCTOBER, 2000.

PUBLIC WATER SUPPLY DISTRICT
NO. 2 OF ST. CHARLES COUNTY,
MISSOURI

By:

Catherine Cobb
Catherine Cobb, President

ATTEST:

Mike Dougherty
Mike Dougherty, Clerk

MISSOURI-AMERICAN WATER
COMPANY

By:

Dennis R. Wingertsahn
Dennis R. Wingertsahn
Vice President - Operations

ATTEST:

Robert D. Maul
Robert D. Maul
Assistant Secretary

STATE OF MISSOURI

COUNTY OF

St. Charles

) SS:
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On this 4th day of October, 2000, before me appeared Catherine Cobb to me personally known, who, being by me duly sworn, did say that she is the President of Public Water Supply District No. 2 of St. Charles County, Missouri, and that the seal affixed to the foregoing instrument is the corporate seal of said District, and that said instrument was signed and sealed on behalf of said District, by authority of its Board of Directors; and said Catherine Cobb acknowledged said instrument to be the free act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the County and State aforesaid, the day and year first above written.

Kim Cantrell
Notary Public

My term expires:

June 20, 2004

KIM CANTRELL
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
ST. CHARLES COUNTY
MY COMMISSION EXPIRES: JUNE 20, 2004

STATE OF MISSOURI)
) SS:
COUNTY OF ST. LOUIS)

On this 27th day of September, 2000, before me appeared Dennis R. Wingertsahn to me personally known, who, being by me duly sworn, did say that he is the Vice President - Operations of Missouri-American Water Company, and that the seal affixed to the foregoing instrument is the corporate seal of said Company, and that said instrument was signed and sealed on behalf of said Company, by authority of its Board of Directors; and said Dennis R. Wingertsahn acknowledged said instrument to be the free act and deed of said Company.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the County and State aforesaid, the day and year first above written.

Staci A. Olsen
Notary Public

My term expires:

Staci A. Olsen, Notary Public
County Of St. Louis, State Of Missouri
My Commission Expires March 20, 2001

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