

**PROPOSAL OFFER TO CITY OF HALLSVILLE**  
**Confidential**



July 18, 2019  
City of Hallsville  
202 Hwy 124 East  
Hallsville, MO 65255

*Work-In-Progress*  
*Hallsville*

RE: Proposal for the Purchase of the City of Hallsville Wastewater System

Dear Mayor Carter,

Missouri American Water Company is pleased to submit our proposal for the purchase of the City of Hallsville ("the City") Wastewater System.

As demonstrated by the enclosed proposal, a transaction with Missouri American Water would create value for the City and its customers receiving wastewater service. Service would continue to be provided by the local area employees committed to a high-quality level of service. Missouri American Water brings important benefits to the City of Hallsville community and its customers including infrastructure investment, state and national resources, convenient customer service and new property tax revenue.

Missouri American Water has the wherewithal to successfully operate systems of this size and scope, and share the City's values and commitment to customers, the local community and the environment. We are excited by the opportunity to partner with the City of Hallsville, and have a wide range of in-house technical expertise to address the future operating issues of the City's wastewater system.

Melisha Billups, Business Development Specialist, will serve as your primary contact.

**Melisha Billups**  
**Business Development Specialist**  
**Missouri American Water Company**  
**727 Craig Road**  
**St. Louis, MO 63141**  
**314-996-2245**  
**Melisha.Billups@amwater.com**

We look forward to working cooperatively with the City as the process continues.

Sincerely,

President  
Missouri American Water Company

APPENDIX A

# PROPOSAL OFFER TO CITY OF HALLSVILLE

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### EXECUTIVE SUMMARY

Water is the most important resource in the world. It makes up or is a part of most everything in our daily lives. For that reason alone, you need a partner that is reliable and trustworthy to ensure your water is clean and safe. Your community depends on it. That is where Missouri American Water comes in.

Missouri American Water is the largest water utility in Missouri with nearly 700 water and wastewater professionals serving approximately 1.5 million people in approximately 200 communities across the state. Our parent company, American Water, is the largest and most geographically diverse publicly-traded water and wastewater utility company in the United States. The mission of American Water, through its regulated state subsidiaries like Missouri American Water, is to provide value to our customers, employees and investors while enhancing quality of life by managing the most basic resource of life – water.

Missouri American Water Company ("Missouri American Water," or "the Company"), a wholly owned subsidiary of American Water Works Company, Inc. ("American Water"), is pleased to offer the City of Hallsville ("City," or "Hallsville") the following purchase proposal for its wastewater system assets.

Missouri American Water ownership will offer the following benefits:

- Operational responsibility relief for the City of Hallsville.
- Cash payment upon closing, not contingent on financing.
- On-going capital investment in the wastewater treatment plant.
- Long-term rate stability and economies of scale, as Hallsville would be part of a larger customer population.



Proceeds from the sale could fund other important community needs. In addition to the cash offer, other financial gains the City of Hallsville would receive include:

- Immediate increase in the community's net cash position by relief of the \$1.5 million debt burden.
- New revenue stream through property taxes Missouri American Water would pay, which would benefit the City's schools, fire and police departments and other government entities.

A partnership with Missouri American Water ensures citizens of Hallsville will have access to reliable sewer service. Missouri American Water has both the staffing and financial resources to effectively address the City's wastewater capital needs, and efficiently operate and maintain the systems. Missouri American Water offers:

- Experienced operational personnel licensed in wastewater operations locally available to support any issues or needs which may arise in Hallsville.
- An engineering team to oversee and administer timely and proactive infrastructure improvements.
- A team of professionals focused on operational efficiency to minimize future rate increases.
- Customer service and maintenance response teams available to respond to emergencies 24-hours a day, seven days a week.

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Additionally, we are committed to helping the communities we serve be more vibrant places to live, work and play. Our community involvement draws on the unique talents of our employees as well as the resources of our business. We do this best through:

- Partnering with local governments, community organizations and schools to help educate our customers on environmental stewardship and watershed protection.
- Providing existing and new businesses the confidence to invest in a community with a dependable wastewater system ready to meet their business needs.
- Offering financial assistance to customers in need through Missouri American Water's H<sub>2</sub>O Help to Others Program™.

Each day we live out our vision to provide Clean Water for Life. Missouri American Water would be honored to be your wastewater services partner and we thank you for your consideration.

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# PROPOSAL OFFER TO CITY OF HALLSVILLE

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### 1.) THE OFFER

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#### PURCHASE PRICE PROPOSAL

Missouri American Water is pleased to offer a purchase option for the City of Hallsville's wastewater system assets. The option includes an offer for the purchase of the City's wastewater system assets, including the associated real estate, subject to the execution of a definitive asset purchase agreement (APA) and the additional conditions listed below. The proposed purchase options and associated rate structures are presented on page 5.

The purchase offer is subject to the following conditions:

- The purchase offer is conditioned on acceptance by the City of the purchase price and rate structure contained within the offer.
- Approval by the PSC of the terms and conditions of the APA, including customer rates and purchase price/rate base.
- Execution of a definitive APA, which would contain such representations, warranties, covenants, conditions and indemnities as are usual and customary in transactions similar to others entered into by Missouri American Water in connection with other asset acquisitions, including with respect to: the conveyance of all right, title and interest in and to the assets free and clear of all encumbrances; the acknowledgment that Missouri American Water would not assume any liabilities in connection with the transaction other than those that may be specifically identified in the APA.
- Other than the wastewater system assets explicitly being sold, the City retains all other assets associated with the wastewater system, including any cash, reserves and accounts receivable existing at closing of the transaction.
- The City uses the proceeds Missouri American Water pays for the wastewater system assets to repay or defease all obligations associated with the wastewater system assets being sold including any debt obligations.
- Resolution of any issues arising from the prior receipt of grant funding on terms and conditions acceptable to Missouri American Water.
- Transfer of Missouri DNR permits for the wastewater system, or negotiation of a new DNR permit, by closing on terms and conditions acceptable to Missouri American Water and Missouri DNR.
- The offers contained herein will remain in effect until August 27, 2019.
- Offer to retain employees subject to the same rules and conditions that apply to all other Missouri-American employees.

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**TOTAL INVESTMENT OFFER - \$5,300,000**

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<b>LUMP SUMP CASH PAYMENT*:</b>	<b>\$2,000,000</b>
<b>CAPITAL COMMITMENT - 5 YEARS:</b>	<b>\$3,300,000</b>

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**NET CASH PROCEEDS TO HALLSVILLE<sup>1</sup>:** **\$500,000**

<sup>1</sup> Net proceeds estimate assumes \$1,500,000 of debt to be paid off at closing.

*\*This cash payment offer is not contingent on any financing.*

### PROPOSED RATE STRUCTURE

Missouri American Water plans to propose to the Missouri Public Service Commission to place the City of Hallsville's customers on it's existing flat monthly wastewater tariff rate of \$38.75 at transaction closing. This will result in a 3% reduction for the average 5,000 gallon user.

TYPICAL RESIDENTIAL BILL (5,000 GALLONS)	AT CLOSING
CURRENT CITY OF HALLSVILLE WASTEWATER RATES	\$40
MOAW WASTEWATER RATES (FLAT MONTHLY RATE)	\$38.75
DIFFERENCE	\$1.25
PERCENTAGE REDUCTION	3%

### EMPLOYEES

Missouri American Water commits to hiring an employee to operate the City of Hallsville's wastewater system. The employee will work from our Mexico, MO office.

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## 2.) OVERVIEW OF MISSOURI AMERICAN WATER

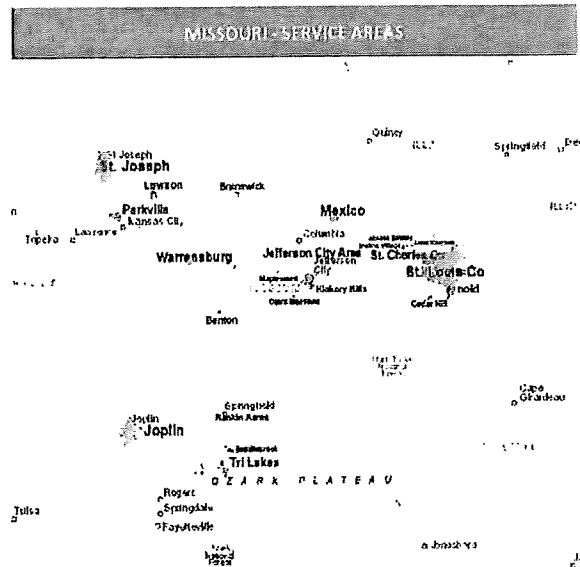
### WE CARE ABOUT WATER. IT'S WHAT WE DO.

At Missouri American Water, a team of nearly 700 employees work every day to provide high-quality water and wastewater services for 1.5 million residents in nearly 200 communities.

Missouri American Water is the largest publicly traded water and wastewater service provider in the state, serving 465,000 water customer connections and 12,500 wastewater customer connections. Approximately 1 out of 4 Missourians receive their water service from Missouri American Water. Every day we deliver approximately 205 million gallons of water to our customers. We maintain about 6,771 miles of water mains and over almost 43,000 fire hydrants.

Missouri American Water is a wholly owned subsidiary of American Water (NYSE: AWK). American Water is the largest and most geographically diverse publicly traded U.S. water and wastewater utility company. The company employs 7,100 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 14 million people in 46 states and Ontario, Canada.

As the owner of water and wastewater systems, American Water has operated and maintained such facilities for nearly 140 years. In addition, American Water has provided contract operations to the public sector for more than 65 years, accepting responsibility for the efficient and economical operation of municipal utility infrastructure. This dual perspective gives the company a clear understanding of the various drivers affecting utility operations. This allows American Water to integrate a wealth of experience, skills, systems and financial strengths available through its various operating entities to supply reliable, effective services. All American Water operations employ the best commercial practices developed for use within the water and wastewater industries.



**MISSOURI AMERICAN WATER HAS VAST EXPERIENCE SERVING 1.5 MILLION PEOPLE ACROSS THE STATE, WITH A HISTORY THAT DATES BACK NEARLY 140 YEARS.**

# PROPOSAL OFFER TO CITY OF HALLSVILLE

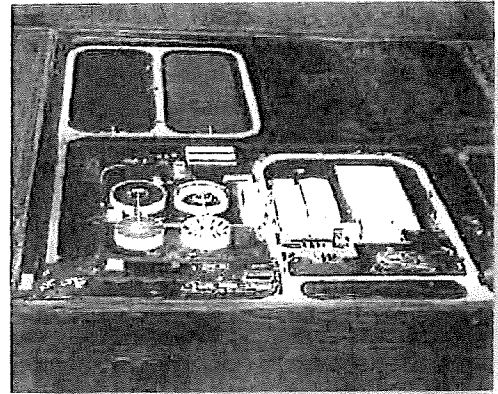
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### OPERATIONS EXPERIENCE

Headquartered in Creve Coeur, Missouri American Water is the state's largest water utility, serving more than 200 communities. Missouri American Water is a recognized leader in providing communities with well-maintained and reliable water and wastewater service. With a history of operations in Missouri spanning close to 140 years, we currently provide water and wastewater-related services to approximately 1.5 million persons through 465,000 water connections and 12,500 wastewater connections.

Our professionals bring a depth and breadth of knowledge to water and wastewater challenges. We operate groundwater and surface water treatment plants in a variety of conditions across the state. Every eligible water treatment plant in our Missouri system is a ten-year plus member of the Partnership for Safe Water. The Partnership is a national voluntary initiative developed by the USEPA and 5 other water organizations to recognize water suppliers that consistently achieve water treatment standards that surpass USEPA regulatory requirements. Roughly one percent of water utilities in the U.S. have achieved this recognition.



In addition, our team knows wastewater – from lagoons to activated-sludge plants. On a statewide and national level, our experts are often involved in discussions of future regulations – enhancing our ability to anticipate and address coming regulatory requirements. The customers are served by 69 systems that range in size from two (2) customers to 7,000 customers. MOAW operates a variety of treatment facilities consisting predominately of extended aeration plants, sand filter plants, and lagoons. We provide water service to over 465,000 customers statewide, utilizing both groundwater and surface water, with systems ranging in size from less than 500 customers to 350,000 customers.

Across the country, water and sewer systems face the challenges of aging infrastructure and increasing regulatory requirements. Missouri American Water works to strategically prioritize projects that deliver the greatest value to our customers and focus on innovation. Some of the innovations that we have delivered are:

- In Joplin, expanding and improving the water treatment plant, including installing the first ultraviolet light water disinfection process in Missouri.
- In St. Louis County, upgrading the water disinfection systems the Meramec and South water treatment plants with an innovative process that eliminates the need for onsite storage of chlorine gas.
- In Jefferson City area, using innovative technology to address new ammonia regulatory requirements in our wastewater systems.
- In Warrensburg, constructing Missouri's first water treatment plant to use ozonation as a means of improving taste.
- In Brunswick, in conjunction with KCP&L, installing solar panels to help reduce electrical costs to the plant.

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### 3.) COMMITMENT TO COMMUNITY

As Missouri American Water employees, we engage in the communities where we live, work and serve our customers. Providing financial and volunteer support to local charities and activities is part of the commitment that we make to the communities that we serve. In 2018, over 400 employees volunteered more than 1,500 hours across the state for community events ranging from river clean-ups to educational programs in local schools. The American Water Charitable Foundation matches volunteers' donations of time and money to employees favorite charities up to 20 hours and \$1,000 per year.

#### FIREFIGHTER GRANT PROGRAM

The Firefighter Grant Program supports community fire protection and public safety. These grants help community fire departments fund personal protective gear, communications equipment, firefighting tools, water handling equipment, training materials and classroom programs. In 2018, the program provided 28 grants totaling over \$33,000.



#### AMERICAN WATER CHARITABLE FOUNDATION

American Water Charitable Foundation is a 501(c)(3) nonprofit organization created by American Water. American Water Charitable Foundation's Keep Communities Flowing Grant Program provided grants up to \$20,000 to support 501(c)(3) organizations, programs and projects that connected to one or more of American Water's core focus areas of Water and the Environment, Water and Healthy Living, Environmental Education, and Community Sustainability. The 2019 grant recipients in Missouri included: Wildcat Glades Friends Group, Joplin, MO received \$13,924 to construct a community educational cottage in Wildcat Park, focused on environmental education and Open Space Council for the St. Louis Region, St. Louis, MO received \$7,000 to plant 660 willow trees along the riverbank, enhancing water quality and wildlife habitat, in Lower Meramec Park.



#### WINGS OVER WATER

The partnership between the World Bird Sanctuary and Missouri American Water volunteers has brought the "Wings Over Water" watershed preservation program to thousands of Missourians. Featuring birds of prey up close and in flight, the program emphasizes the importance of watershed protection to our rivers, drinking water and wildlife.

#### RIVER CLEAN UPS

Missouri American Water volunteers support river cleanups from Kansas City to St. Louis. The donations of time and resources help groups like Missouri River Relief, the Open Space Council, Greenway Network and local stream teams achieve their environmental and educational goals.

#### MISSOURI AMERICAN WATER MR340 AND RACE TO THE DOME

These canoe/kayak races on the Missouri River involve hundreds of paddlers and support river clean-up and educational organizations.





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### 4.) RECOMMENDATIONS FROM CURRENT COMMUNITIES

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"When we began working with Missouri American Water on a plan to sell our wastewater collection system, it was a top priority for our city. It represented a critical step in our work to improve our City's financial picture and maintain reliable sewer service for our residents. I want to commend Missouri American Water for the outstanding planning and leadership that got us to our goal."

**RONALD COUNTS**  
**MAYOR**  
**CITY OF ARNOLD**

"Selling our water and wastewater assets to Missouri American Water has given our community the ability to focus our priorities on roads, parks, stormwater, and the pursuit of economic development opportunities. We weren't experts at water and sewer, but Missouri American Water is. They have the knowledge, capital resources and expertise to ensure our citizens will have reliable water and wastewater service for years to come. Most importantly, they are committed to doing the right thing for their customers and the community."

**MATT NOLKER**  
**CITY ADMINISTRATOR**  
**CITY OF LAWSON**

**5.) LEADERSHIP TEAM BIOGRAPHIES**

**MISSOURI AMERICAN WATER LEADERSHIP STAFF**

One of the greatest assets at Missouri American Water is our team of highly skilled employees who work around the clock every day to ensure quality service to our customers. Our team consists of many professionals dedicated to customer service, production, maintenance, water quality and engineering along with many other departments working together to keep the water flowing. The team below leads Missouri American Water's efforts. With experiences bridging both the municipal and the public water and wastewater utilities, they realize the concerns of the customers as well as the sensitivity of moving from a public to a private utility. Together with the leaders of Hallsville, this team will provide a transition to provide the best solution.



**DEBBIE DEWEY, PRESIDENT**

Debbie Dewey joined Missouri American Water as President in 2019. Debbie joined American Water in 2015 as vice president of Operations in Indiana. In 2016, she was named president of Indiana and Michigan, bringing more than 30 years of leadership experience and knowledge to her position. Prior to joining Indiana American Water, Debbie served as president of the Growth Alliance for Greater Evansville, and as president of Western Kentucky Energy/Louisville Gas & Electric (LG&E).



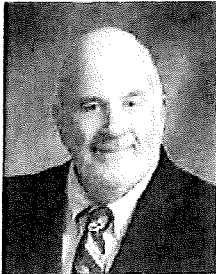
**GRANT EVITTS, VICE PRESIDENT, OPERATIONS**

Grant Evitts is the Vice President, Operations for Missouri American Water where he is responsible for over 600 employees across the state. His primary role is to promote safety for employees, develop, monitor & manage the operational expenses of the Company and deliver high quality water and services for customers. Grant has held a variety of roles in American Water for 30 years, holding positions in both Illinois American and Missouri American. Grant has certification in instrumentation and process control and industrial electricity/electronics and holds a Class C water operator's license from the Illinois Environmental Protection Agency.



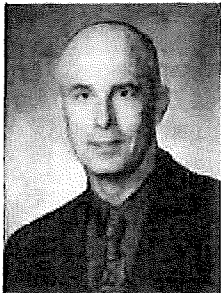
**BRIAN EISENLOEFFEL, SENIOR OPERATIONS MANAGER**

Brian Eisenloeffel joined Missouri American Water in 2002. He currently serves as the Senior Operations Manager. He is responsible for overseeing the daily operations in East Central Missouri including the areas of Jefferson City, St. Charles and Mexico. Brian oversees the budgeting process, business development, community involvement, operating efficiency projects, employee safety, and strategic planning for each of these districts. He holds a bachelor's degree in civil engineering from the University of Texas San Antonio.



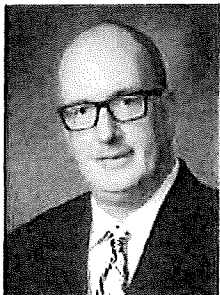
**BRUCE AITON, P.E., DIRECTOR OF ENGINEERING**

Bruce Aiton joined Missouri American Water in 2016 as the Director of Engineering. Prior to serving as the Director of Engineering at Missouri American Water, Bruce was the Director of Engineering and Construction at American Water Enterprises for seven years. Bruce has proved to be a successful engineering and regulated capital infrastructure program director, offering over 35 years of engineering experience. Bruce offers special skills in technical and tactical rate support, marketing and client relationship development. He holds a Bachelor of Science in Civil Engineering.



**TIM GANZ, OPERATIONS & ENVIRONMENTAL MANAGER**

Tim Ganz joined Missouri American Water in 2003. He currently serves as Operations and Environmental Manager. His responsibilities include managing the Jefferson County Wastewater District, including three treatment facilities and three collection system serving approximately 9,000 customers, managing environmental compliance for Missouri American Water's drinking and wastewater systems and developing and implementing the environmental stewardship programs. Mr. Ganz is a certified hazardous materials manager and has degrees from the University of Missouri, St. Louis University and Maryville University.



**TIM LUFT, VICE PRESIDENT, LEGAL & CORPORATE SECRETARY**

Tim Luft joined Missouri American Water in 2012 as Vice President Legal and Corporate Secretary. He is responsible for the legal function for Missouri American including administrative agency and regulatory work, transactional matters, and general corporate issues. He is licensed to practice law in Missouri, Illinois, and Tennessee. Mr. Luft is a member of the Association of Corporate Counsel-St. Louis Chapter and the Missouri Bar Association. He holds a JD from St. Louis University and a bachelor's in business administration from the University of Missouri-Columbia.

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### 6.) CONCLUSION

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The City Of Hallsville would greatly benefit from the sale of its system to Missouri American Water. Missouri American proposes that the City would receive cash in exchange for all of the assets of the City Of Hallsville wastewater system. Thereafter Missouri American would own, operate and maintain the system – all with regulatory oversight from the Missouri Public Service Commission. With over 100 years of experience owning and operating water and wastewater systems, Missouri American brings unique industry expertise to this process.

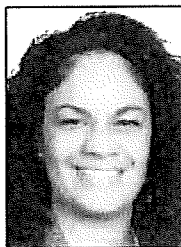
Missouri American can proceed expeditiously to develop a transaction that will benefit the customers of the City Of Hallsville, the employees and the community that it serves. Based on experience, we believe all necessary regulatory authorities will promptly approve the transaction.

It is understood and intended that this Proposal constitutes a non-binding proposal and is not to be construed as commitment, representation or contract legally binding upon Missouri American or the City, and no cause of action shall arise from this Proposal or be based thereon. Unless and until definitive agreements are entered into, neither Missouri American nor the City shall be under obligation to the other, irrespective of this Proposal and irrespective of any negotiation, agreements, or undertaking between, or action taken by, the parties with respect to this Proposal and/or the Transaction.

This Proposal is being delivered to you with the understanding that it and its contents will remain confidential and will be disclosed only to those executive officers and legal and financial advisors of the City who are directly involved in analyzing the transaction and that neither this Proposal nor its contents will be disclosed publicly or directly or indirectly discussed with or disclosed to any other prospective purchaser unless such disclosure is required by applicable laws. The City and Missouri American Water will consult each other and use good-faith efforts to obtain review and approval by the other party prior to any public disclosure.

### 7.) CONTACT INFORMATION

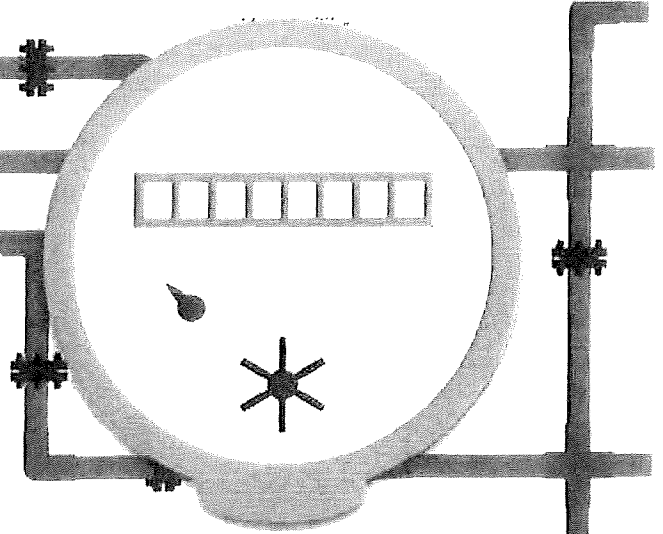
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**MELISHA BILLUPS**  
Business Development Specialist  
727 Craig Road  
St. Louis, MO 63141  
314-996-2245

# THE **TRUTH** ABOUT HOW WATER RATES ARE SET

*How water rates are set and why they differ among public and private utilities*



## **Private water companies never set their own rates.**

Each state has a public utility commission, which sets water rates for private water utilities in the state through a process called a rate case.

- The job of the state commission is to ensure that privately owned water utilities have rates that are both fair and warranted.

## **There is more oversight of private water utilities than public water utilities.**

Only private water utilities must go through the rate case process.

- The rate case process requires the release of supporting documentation and open public hearings to allow customers, elected officials, and other stakeholders to participate.
- A rate case requires a private utility to prove its costs are justified and its rates are fair for a given system.

## **Private water rates are regulated by state utility commissions based on the true cost of service and necessary investment.**

Rates are a reflection of water utility investment.

- Rate increases cover costs such as water main repair and replacement, water hydrant maintenance, and water treatment facility updates.
- Utilities that proactively invest to maintain their system will typically have higher rates than a utility that defers investment in favor of lower rates.

## **Private water companies have a strong record of regulatory compliance.**

According to an analysis of EPA data, publicly operated water utilities are 24% more likely to violate the Safe Drinking Water Act than privately operated utilities.<sup>1</sup>

- The authors of the analysis argue that, because rate increases are politically problematic for local officials, it is difficult for public utilities to generate the revenue necessary for upgrades and routine maintenance. Thus, public utilities are more likely to miss or delay crucial investments, thereby generating more violations of federal safe drinking water standards.

## **Direct comparisons of water rates across communities are misleading and do not tell the full story.**

Experts agree it is impossible to make comparisons of rates from one municipality to another.<sup>2</sup>

- There are dozens of factors that influence water rates, including investment needs, water source location and availability, service area density and elevation, and water treatment needs. As a result, it is extremely challenging to fairly and accurately compare the rates of different service territories.

## **Direct comparisons of government-owned utilities to privately owned utilities are further complicated by other cost and revenue factors.**

It is unfair to make comparisons between privately run utilities and those run by municipalities.

- A government-owned utility receives revenue support through resident property taxes and other federal and state grants, while a private utility does not receive such subsidy support. This "subsidy" significantly decreases customer rates for public utilities, making them appear lower than private utility rates.

<sup>1</sup>David Farley, Georgia State University and Many Taps: Texas A&M University, "When Government is Big: 'No Government' to Government," Nov. 2014

<sup>2</sup>Sebastian and Kishorash, Michigan State University, "2010 Great Lakes Water Survey," 2011; Houston, "Water Supply in California: Comparing the Costs of Water Collection, Efficiency and Privatization," Mount Allison University, 2009; University of Delaware Institute for Public Administration, "Water Rates: The Causes and Consequences," 2014