



**MISSOURI
AMERICAN WATER**

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April 27, 2015

City of Arnold, Missouri
2101 Jeffco Boulevard
Arnold, Missouri 63010

Attention: Mr. Bryan Richison
City Administrator

In re: **Arnold Sewer System**

Dear Mr. Richison:

As you are undoubtedly aware, employees with Missouri-American Water Company and the City of Arnold have been working very hard to ensure that the sale and the transition of the sewer system is a smooth one. There are a lot of details that need to be taken care of and we appreciate the cooperation that we are getting from the city.

We also want to follow up on promises that were made during the campaign. As I indicated, we are committed to hiring the sewer employees that are with the City of Arnold at the time of closing, subject to the same rules and conditions that all other Missouri-American employees are subject to. As I understand it, currently there are five individuals including Sewer Superintendent Mark Migneco. We also agreed that these employees will not be a part of targeted layoffs for at least three years. There is always a possibility that they could work in different areas at Missouri-American, but this would likely be at our other sewer operations in the area (for example our Meramec Sewer or Cedar Hill operations) or perhaps within our St. Louis County District. Our Human Resources department is well into this process and has had several meetings with our future employees.

I also made a commitment on sewer rates. We have not filed a rate increase in four years in Missouri. Later this year, we will be required by law to submit a rate case to the Missouri Public Service Commission. I agreed that, absent any extraordinary circumstances, the Arnold sewer bill for a 5,000 gallon monthly residential customer, currently at \$24.33 per month (based on \$73.00 per quarter), will not increase beyond \$33.58 per month during the first 4 years of Missouri-American's ownership. The rate increase commitment may be adjusted if capital investment is necessary in excess of the amount stated below or if extraordinary events occur. Further, this sewer bill increase commitment is exclusive of any taxes, fees or other charges included on the bill on behalf of third parties, including the City of Arnold.

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We also discussed needed capital investment. Missouri-American will invest \$5 Million capital in the system during the first four years of ownership. In addition, Missouri-American will place a gross receipts tax on the monthly bill in an amount to be determined by Arnold and will remit the proceeds to the city.

Again, thank you for all your efforts with regard to this transaction which is a win-win for the citizens of Arnold and Missouri-American Water. We look forward to working together towards the closing and a smooth transition.

Sincerely,



Frank Kartmann

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