

*Exhibit No.:*  
*Issues:* *Belleville Lab Allocation;*  
*Compensation for Services*  
*MAWC Provided to AWR;*  
*Income Taxes*  
*Witness:* *John P. Cassidy*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Direct Testimony*  
*Case No.:* *WR-2007-0216*  
*Date Testimony Prepared:* *June 5, 2007*

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**DIRECT TESTIMONY**

**OF**

**JOHN P. CASSIDY**

**MISSOURI-AMERICAN WATER COMPANY**

**CASE NO. WR-2007-0216**

*Jefferson City, Missouri*  
*June 2007*

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**DIRECT TESTIMONY OF**

**JOHN P. CASSIDY**

**MISSOURI-AMERICAN WATER COMPANY**

**CASE NO. WR-2007-0216**

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1 Q. Did you examine the books and records of Missouri-American Water  
2 Company (MAWC or Company) in regard to matters raised in this case?

3 A. Yes, in conjunction with other members of the Commission's Staff. I reviewed  
4 Company responses to Staff data requests and data requests submitted by other parties  
5 participating in the rate proceeding. I reviewed information posted on the American Water  
6 Works Company, Inc. website, affiliated company mailings to MAWC customers, MAWC  
7 workpapers and testimony. I also reviewed workpapers, testimony, Stipulation and  
8 Agreements and Commission Report and Orders from recent rate cases involving MAWC,  
9 St. Louis County Water Company and United Water Missouri, Inc.

10 **EXECUTIVE SUMMARY**

11 Q. With reference to Case No. WR-2007-0216, what matters will this direct  
12 testimony address?

13 A. This testimony provides a discussion of the Staff's methodology for  
14 determining the proper allocation of testing and sampling expense to MAWC. This testimony  
15 will show that the Company's methodology used to allocate costs from Belleville Labs to  
16 MAWC has resulted in an inappropriate amount of testing and sampling expense being  
17 charged to MAWC customers.

18 My direct testimony will also address water and sewer service line protection  
19 programs as well as an in-home plumbing protection plan that are all currently being offered  
20 by the Company's non-regulated, affiliated company, American Water Resources Inc. (AWR),  
21 to MAWC customers. The Staff contends that MAWC is entitled to receive revenue for  
22 providing information and support to allow AWR to offer these services to MAWC  
23 customers.

1 This direct testimony will also address the appropriate inclusion for income tax  
2 expense and deferred tax balances in the calculation of revenue requirement in this case.

3 **TRAINING AND EXPERIENCE**

4 Q. What knowledge, skill, experience, training and education do you have in these  
5 matters?

6 A. I have participated in rate cases before this Commission, some of which  
7 include MAWC, or cases involving Missouri Cities Water Company, United Water Missouri,  
8 Inc. and St. Louis County Water Company, companies that have since been acquired by  
9 MAWC. I have analyzed the Belleville labs allocations and AWR issues at this utility as part  
10 of its last rate proceeding. I have also analyzed the area of income taxes at other utilities as  
11 part of other rate proceedings. In addition to my work experience at the Commission, I have  
12 attended numerous regulatory conferences and in-house-training sessions, reviewed various  
13 journals and trade articles and had many interactions with members of other regulatory bodies  
14 and entities.

15 **PURPOSE OF TESTIMONY**

16 Q. With reference to Case No. WR-2007-0216, what is the purpose of this direct  
17 testimony?

18 A. The purpose of this direct testimony is to explain and sponsor the following  
19 adjustments that appear on Accounting Schedule 10, Adjustments to the Income Statement:

20	Belleville Lab Testing Cost Allocation	S-14.6
21	AWR-Compensation to MAWC for Services Provided	S-8.1
22	Current Income Tax	S-18.1
23	Deferred Income Tax	S-19.1

1           Additionally, I will address the balances of Pre-71 Investment Tax Credits (ITC) and  
2           Deferred Income Tax that are reflected on Accounting Schedule 2, Rate Base.

3           **TEST YEAR, UPDATE AND TRUE-UP PERIOD**

4           Q.     What test year has the Staff utilized in this case?

5           A.     The Staff has used a test year ending June 30, 2006, updated through  
6           December 31, 2006. The Staff is also proposing a true-up audit through May 31, 2007.

7           **ALLOCATION OF BELLEVILLE LAB SERVICE COMPANY COST TO MAWC**

8           Q.     How are Belleville Lab Service Company costs allocated to MAWC?

9           A.     Belleville Lab Service Company costs can be allocated directly to MAWC.  
10          All remaining costs are indirect costs and are allocated to MAWC based on a ratio of MAWC  
11          customers compared to the total number of customers of all other operating companies taking  
12          service from Belleville Labs. For the test year, MAWC received only an indirect cost  
13          allocation based on a customer allocation ratio that was approximately 14.5%.

14          Q.     Please explain Staff Adjustment S-14.6.

15          A.     Staff Adjustment S-14.6 reduces MAWC's expense to reallocate the indirect  
16          portion of Belleville Lab Service Company costs based on an average of the number of test  
17          analyses performed on all samples that were submitted to the Belleville Lab over the last five  
18          calendar years ending December 31, 2006, in order to smooth out the fluctuation of test  
19          analysis for purposes of setting rates. MAWC's portion of test analyses, when compared to all  
20          other operating companies, during this five year time period, represented a ratio of  
21          approximately 7.04%. The Staff believes that test analysis is a more appropriate allocation  
22          method for cost distribution than using customer numbers and recommends that Belleville  
23          Labs costs be distributed using test analysis as the basis.

1 Q. Why is the Staff's allocation method more appropriate?

2 A. The function of the Belleville Labs facility is exclusively for water sample  
3 testing to comply with required regulations. Therefore, test analysis represents a better basis  
4 of allocation than the number of customers, because it represents the work that is actually  
5 being performed at Belleville Labs. Furthermore, the amount of testing required for a  
6 company is dependant upon the type of facilities operated and the environment of the service  
7 area, more so than the number of customers that are served. For example, even though  
8 MAWC serves more than twice as many customers as California-American (MAWC 462,923  
9 customers versus California-American 177,086 customers), on average, Belleville Labs  
10 processes more than twice as many test analyses for California-American than for MAWC  
11 (MAWC 2,825 test analysis versus California-American 8,359 test analysis, during 2006).  
12 Staff's proposed allocation method will more accurately match cost-causers to costs.

13 **COMPENSATION TO MAWC FOR SERVICES PROVIDED TO AMERICAN**  
14 **WATER RESOURCES, INC. (AWR)**

15 Q. What is AWR?

16 A. AWR is an unregulated subsidiary of American Water Works Company, Inc.  
17 (AWW) and an affiliate of MAWC. AWR has employees located at the Service Company's  
18 Call Center site in Alton, Illinois. AWR is in the business of offering water line protection,  
19 sewer line protection and in-home plumbing protection plans to AWW customers throughout  
20 the country as well as to those MAWC customers that are residential property owners. AWR  
21 offered its water line protection program to MAWC customers that are residential property  
22 owners in all districts except its St. Louis district. AWR has also offered its sewer line  
23 protection program primarily to those MAWC residential property owners who have agreed to

1 participate in the water line protection program. In addition, two municipalities, Fenton and  
2 Sunset Hills, located in MAWC's St. Louis district, have requested that the sewer line  
3 protection program be offered to its residents. These two municipalities, which receive sewer  
4 service from the Metropolitan St. Louis Sewer District, provided AWR with a list of the  
5 addresses of its residents. AWR more recently has offered an in-home plumbing protection  
6 plan to those MAWC residential property owners who have elected to participate in both the  
7 water and sewer line protection programs.

8 Q. Why did AWR exclude the St. Louis district customers from their water line  
9 protection offer?

10 A. The St. Louis County Public Works Department already has a program in place  
11 to provide coverage for the customer-owned water service lines located in the St. Louis  
12 district. Therefore, AWR limited the water line protection program offering to only those  
13 residential property owners located in MAWC's non-St. Louis districts.

14 Q. Please describe the water line protection program that AWR is marketing to  
15 MAWC residential property owners.

16 A. MAWC residential property owners are encouraged to sign up for the water  
17 line protection program for \$5 per month or \$60 per year. In return, under the conditions of  
18 the plan, AWR promises to cover the cost of the repair of a water leak of a customer-owned  
19 service line that is caused by normal wear and tear. The customer is provided protection of up  
20 to \$4,000 per water leak occurrence. If a customer experiences an actual water leak on their  
21 service line, they must contact MAWC who sends an employee to investigate the source of  
22 the problem. In the event MAWC determines that the leak is on the customer-owned service  
23 line, then a customer covered by the plan must contact AWR, who makes arrangements to



1 have an approved independent contractor perform the repair. MAWC employees are not used  
2 to complete repairs to the service lines of customers who are covered by this plan. Instead,  
3 AWR dispatches a licensed, independent contractor to perform the necessary repairs.

4 Q. Does AWR compensate MAWC for the use of its employees to perform water  
5 leak detection?

6 A. No. AWR does not compensate MAWC for the use of its employees who  
7 determine the source of water leaks.

8 Q. Please describe the sewer line protection program that AWR is marketing to  
9 MAWC customers.

10 A. MAWC customers who have signed up for the water line protection program  
11 have also been offered the opportunity to sign up for a sewer protection program. If a  
12 customer elects to participate in both programs, the customer is charged \$12 per month or  
13 \$144 per year for participation in both programs. Customers that participate only in the sewer  
14 line protection plan are charged \$9 per month or \$108 per year for sewer line protection.  
15 Customers in the Fenton and Sunset Hills municipalities in the St. Louis district who are only  
16 offered the sewer line protection plan must pay \$9 per month to participate. All customers  
17 participating in the sewer line protection program are also assessed a \$50 service fee when a  
18 contractor is dispatched to the home. In return, the customer is provided protection of up to  
19 \$8,000 per sewer line incident that is caused by a pipe collapse, tree-root invasion, blockage,  
20 or normal wear and tear.

21 Q. Please describe the in-home plumbing protection program that AWR is  
22 marketing to MAWC customers.

1           A.     AWR has also offered an in-home plumbing protection plan to those MAWC  
2 customers who have signed up for the water and wastewater line protection plans. Customers  
3 who elect to participate in this program are charged \$3.99 per month or \$47.88 per year.  
4 According to the brochure mailed to MAWC customers, this program provides coverage for  
5 unexpected events such as “a clogged bathtub drain...leaking washing machine  
6 valve...blocked toilet and more...” Again customers participating in the in-home plumbing  
7 protection program are also assessed a \$50 service fee when a contractor is dispatched to the  
8 home. In return, the customer is provided up to \$1,500 of coverage for any approved repair  
9 work.

10          Q.     How was AWR able to offer MAWC customers its water line protection  
11 program?

12          A.     AWR originally received MAWC’s customer list as part of its initial  
13 April 2003 mailing. Prior to every water line program mailing, AWR receives an updated list  
14 of MAWC customers from AWW’s service company billing function.

15          Q.     How many water protection line mailings has AWR sent to MAWC  
16 customers?

17          A.     Since April 3, 2003, AWR has mailed letters to MAWC customers urging  
18 them to sign up for its water line protection program on 17 different occasions. Six of these  
19 17 mailings included a letter of endorsement from MAWC’s then president, Mr. Eric  
20 Thornburg. In fact, 429,066 MAWC letters of endorsement were delivered to MAWC  
21 customers, as part of AWR’s marketing campaign during a period covering April 3, 2003,  
22 through March 18, 2004. The following tables summarize the dates and quantities of mailings  
23 that AWR has made to MAWC customers with regard to its water line protection program:

Water Line Mailings endorsed by MAWC:

<u>Date</u>	<u>Quantity</u>
April 3, 2003	83,321
June 13, 2003	80,316
August 11, 2003	76,585
October 15, 2003	75,443
December 4, 2003	74,214
March 18, 2004	<u>39,187</u>
Total	429,066

Water Line Mailings endorsed by AWR:

<u>Date</u>	<u>Quantity</u>
June 25, 2004	49,413
October 12, 2004	93,911
February 14, 2005	62,319
June 13, 2005	73,936
November 7, 2005	44,879
February 2, 2006	28,394
April 25, 2006	3,438
July 5, 2006	1,470
October 15, 2006	7,520
January 22, 2007	1,911
April 9, 2007	<u>3,332</u>
Total	370,523

	<u>Quantity</u>
MAWC Endorsed Mailings	429,066
AWR Endorsed Mailings	<u>370,523</u>
Total Water Line Mailings	799,589

MAWC discontinued its practice of providing letters of endorsement as part of AWR's marketing efforts after March 18, 2004, not long after the Staff had expressed concerns with this and other practices in testimony, absent any form of compensation, as part of MAWC's most recent rate case, Case No. WR-2003-0500. Nevertheless, all of the water line protection program mailings occurred only because AWR has been provided with MAWC's very unique and specific, captive customer list. AWR continues to be provided with updated lists to enable it to effectively concentrate its marketing mailing efforts.

1 A representative sample copy of the AWR offering that was mailed with MAWC's letter of  
2 endorsement as well as a copy of the envelope that contained the offering and displayed  
3 MAWC's name and return address are attached as Schedule 2, to this direct testimony.

4 Q. Do the MAWC letters of endorsement that were delivered to MAWC  
5 customers in order to facilitate AWR's marketing efforts, associated with its water line  
6 protection program, provide significant inherent value to AWR's profitability?

7 A. Yes, most certainly. An examination of the mailings in Schedule 2 reveals that  
8 MAWC provided a letter signed by MAWC President, Eric Thornburg. In the letter,  
9 Mr. Thornburg provides AWR with MAWC's full endorsement by stating the following: "In  
10 cooperation with our affiliate, American Water Resources, Inc., Missouri-American Water  
11 Company is pleased to introduce a special Water Line Protection Program to cover these  
12 unexpected costs and provide you with peace of mind." The letter goes on to encourage  
13 MAWC customers to sign up for this program. The letterhead features the good name of  
14 Missouri-American Water Company as well as the logo used by the Company. The Staff  
15 believes that customers of MAWC place a great deal of value and trust in the MAWC name  
16 because the Company is the regulated utility that provides them with a physically consumable  
17 product. Certainly, this type of endorsement provided significant credibility to the services  
18 offered by AWR.

19 Q. Has MAWC ever received any amount of compensation from AWR in return  
20 for providing its customer mailing list, thousands of letters of endorsement, use of the  
21 Company name and logo as well as its Company President's time and for determining the  
22 source of water leaks?

1           A.     No. MAWC has never received any compensation from AWR for any of these  
2 items. The Staff believes that this is unreasonable. Absent significant compensation, the  
3 Staff doubts that MAWC would turn over its customer mailing list, lend its Company name,  
4 logo and President's time to provide a full endorsement of the water line protection program,  
5 as part of thousands of letters of encouragement, if some external, or outside third party  
6 offered the plan. When the Staff questioned this decision as part of the last rate case, MAWC  
7 subsequently discontinued its practice of providing letters of endorsement as part of AWR's  
8 marketing efforts.

9           Q.     How many sewer line protection mailings has AWR sent to MAWC  
10 customers?

11          A.     The following chart details the sewer line mailings that AWR has sent to  
12 MAWC customers:

13           Sewer Line Mailings

<u>Date</u>	<u>Quantity</u>
June 8, 2004	11,042
August 6, 2004	10,051
October 12, 2004	7,801
January 21, 2005	7,748
March 21, 2005	7,518
May 23, 2005	7,050
August 8, 2005	7,059
October 19, 2005	12,732
February 17, 2006	9,046
May 10, 2006	9,094
July 5, 2006	4,445
September 15, 2006	5,254
November 29, 2006	7,546
January 29, 2007	8,740
<u>March 30, 2007</u>	<u>7,026</u>
Total Sewer Line Mailings	122,152

32           These mailings include those sent at the request of the Fenton and Sunset Hills municipalities  
33 located in MAWC's St. Louis district between October 19, 2005 and March 30, 2007.

1 Q. How many in-home plumbing protection mailings has AWR sent to MAWC  
2 customers?

3 A. The chart below details the AWR in-home plumbing program mailings to  
4 MAWC customers:

5 In-Home Plumbing Program Mailings

<u>Date</u>	<u>Quantity</u>
August 12, 2006	4,704
November 29, 2006	1,981
April 20, 2007	<u>2,877</u>
Total In-Home Plumbing Mailings	9,562

12 The Staff has attached representative copies of AWR's sewer line and in-home plumbing  
13 program offerings as Schedule 3, to this direct testimony.

14 Q. How many MAWC customers have signed up for the AWR water line, sewer  
15 line and in-home plumbing programs, respectively?

16 A. As of March 31, 2007, MAWC reported that 6,230 customers had signed up  
17 for the water line protection program and 3,346 customers had signed up for the sewer line  
18 protection program. Of the 3,346 customers that had signed up for the sewer line protection  
19 program, 225 reside in the St. Louis County municipalities of Fenton and Sunset Hills. The  
20 Company's response to Staff Data Request 215 indicated that, at May 7, 2007, 479 MAWC  
21 customers had signed up for the in-home plumbing protection program. Based on the  
22 information provided by the Company, the Staff calculates that AWR collects on an annual  
23 basis from MAWC customers, \$373,800 from the water line protection program, \$353,352  
24 from the sewer line protection program and \$22,935 from customers who signed up for in  
25 home plumbing protection program, for a total of \$750,087.

26 Q. How much profit has AWR earned in relation to the Missouri customers who  
27 have chosen to participate in each of these three protection plan programs?

1           A.     Staff Data Request No. 170 requested the expenses that AWR has experienced  
2 in relation to serving MAWC customers for these three programs, but MAWC filed an  
3 objection to Staff's request. With this information, the Staff would be able to make a more  
4 definitive determination of the profits that AWR should share with MAWC as compensation  
5 for all the services associated with this program that were provided by MAWC to AWR.

6           Q.     Please explain Staff Adjustment S-8.1.

7           A.     Staff Adjustment S-8.1 increases MAWC's revenues by \$137,449 annually.  
8 This amount represents an estimate of the AWR profits that MAWC is entitled to receive for  
9 providing AWR with the services previously discussed. The Staff calculates that MAWC is  
10 entitled to \$93,450 of compensation from the water line protection program, \$41,132 from the  
11 sewer line protection program and \$2,867 from the in-home plumbing protection plan. The  
12 Staff has excluded the revenues associated with the sewer line protection program that  
13 resulted in the St. Louis district, because those residential addresses were provided by those  
14 municipalities to AWR.

15          Q.     Please explain how the Staff calculated the \$93,450 of compensation  
16 associated with the water line protection program.

17          A.     In the absence of the objected-to-AWR expense information relevant to  
18 MAWC customers, the Staff assumed a 50% profit margin for the water line protection  
19 program being offered to MAWC customers. The Staff believes that because of all the  
20 services that MAWC has provided to AWR, that MAWC is entitled to 50% of this profit  
21 margin as calculated below:

**WATER LINE PROGRAM**

Water Line Revenues	\$373,800
Times: Assumed Profit Margin	50%
Estimated Profits	\$186,900
Times: MAWC's share of profits	50%
Compensation to MAWC – Water Line	\$ 93,450

Q. Please explain how the Staff determined the appropriate compensation related to sewer line protection program and the in-home plumbing program.

A. The Staff also assumed a 50% profit margin for the sewer line protection program and in-home plumbing program. The Staff believes that these mailings were made possible because MAWC has provided AWR with a very unique captive customer list. This list cannot be exactly replicated by any outside mailing list provider. The Staff believes that MAWC is entitled to 25% of the profit margins associated with these two programs as calculated below:

**SEWER LINE PROGRAM**

Sewer Line Revenues	\$353,352
Less: St. Louis County municipality revenues	\$ 24,300
Adjusted Sewer Line Revenues	\$329,052
Times: Assumed Profit Margin	50%
Estimated Profits	\$164,526
Times: MAWC's share of profits	25%
Compensation to MAWC-Sewer Line	\$ 41,132



**IN-HOME PLUMBING PROGRAM**

In Home Plumbing Revenues	\$ 22,935
Times: Assumed Profit Margin	50%
Estimated Profits	\$ 11,468
Times: MAWC's share of profits	25%
Compensation to MAWC- In-Home Plumbing	\$ 2,867

The Staff contends that AWR has profited because of the actions MAWC has taken. The Staff believes it is reasonable for MAWC to provide these services only in the event that it is properly compensated by AWR. Staff Adjustment S-8.1 includes \$137,449 of compensation to MAWC in its determination of revenue requirement.

Q. Why have you reduced the percentage of profit included in utility revenues?

A. The Staff believes that these programs benefited from all the support that MAWC provided to AWR for its initial water line protection offering. This support allowed AWR to gain a foothold with MAWC customers that it was able to leverage to offer other services. However, the Staff recognizes that the effect of this support is somewhat less regarding the later product offerings.

**INCOME TAXES**

Q. Please explain how current income tax expense is calculated in Staff Accounting Schedule 11.

A. Net operating income (NOI), as calculated on Accounting Schedule 9, Income Statement, is the starting point of the test year income tax calculation (column B) on Accounting Schedule 11. The NOI for each rate of return (Line 1, columns C, D and E) was calculated on Accounting Schedule 1, Revenue Requirement. The adjusted current and

1 deferred income taxes are added back to NOI to determine the NOI before income  
2 taxes (NOIBT). NOIBT is then adjusted for various tax-timing differences to determine the  
3 amount of taxable income. The Federal and State income taxes are calculated based on  
4 current statutory rates applied to the taxable income after allowances for applicable income  
5 tax deductions and additions. State income taxes are deductible in the determination of  
6 Federal taxable income and one-half of Federal income taxes are deductible for State taxable  
7 income.

8 Q. What is the justification for the additions and subtractions that were used to  
9 adjust NOIBT?

10 A. The justification for any difference between NOIBT (as reported on the books  
11 and adjusted by the Staff) and taxable income is dictated by the Internal Revenue Code  
12 (Code). These differences are referred to as timing differences or Schedule M items.  
13 Schedule M is the Federal tax form in which the Company annually reconciles the difference  
14 between book income and taxable income. The Staff has added or subtracted the Schedule M  
15 items from NOIBT necessary for ratemaking purposes.

16 Q. Please discuss the Staff's adjustment to NOIBT for interest expense as shown  
17 on Accounting Schedule 11.

18 A. Interest expense was calculated by multiplying rate base by the Staff's  
19 weighted cost of debt, sponsored by Staff witness David F. Murray of the Financial Analysis  
20 Department. This method of determining interest expense is known as interest  
21 synchronization because the interest used in the calculation of income tax expense is matched  
22 with the interest expense the ratepayers are required to provide to the Company in rates.

1 Interest synchronization has been consistently used by the Staff and adopted by the  
2 Commission in past orders.

3 Q. How did you quantify the income tax adjustment you are sponsoring for  
4 current income tax expense?

5 A. I determined the adjustment to current income tax expense, Adjustment S-18.1,  
6 by subtracting the test year recorded income tax expense from the current income tax  
7 calculated on Accounting Schedule 11.

8 Q. Please describe Adjustment S-19.1.

9 A. Staff adjusted deferred income tax expense to reflect the normalization of the  
10 timing difference related to excess depreciation. Staff also recognized the deferred income  
11 taxes related to the amortization of prior year deferrals associated with depreciation and  
12 investment tax credit (ITC).

13 Q. Describe the components of the deferred tax balance included as an offset to  
14 rate base.

15 A. Staff included deferred income tax balances associated with the normalization  
16 of timing differences in prior years. The majority of the Staff's deferred income tax balance  
17 is related to the normalization of accelerated depreciation calculated using various methods  
18 allowed by the Code. The Staff has also included deferred taxes specifically associated with  
19 the rate base inclusion of the pension liability, which is discussed in the direct testimony of  
20 Staff witness Jeremy K. Hagemeyer.

21 Q. Why has the Staff used Pre-71 ITC to reduce Rate Base?

22 A. Beginning in 1971, the Code imposed restrictions that prevented the use of ITC  
23 as a reduction to Rate Base. Since the restrictions do not apply to Pre-71 ITC, it is being

1 provided the same treatment by the Staff as other deferred income taxes that have been funded  
2 by the ratepayer.

3 Q. Does this conclude your direct testimony?

4 A. Yes.

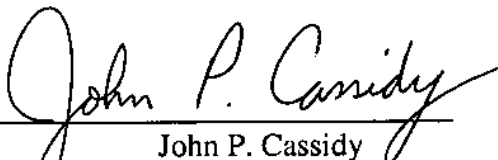
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of Missouri-American Water )  
Company's request for Authority to ) Case No. WR-2007-0216, *et al*  
Implement a General Rate Increase for )  
Water Service provided in Missouri )  
Service Areas )

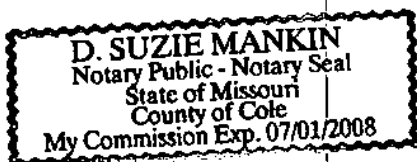
**AFFIDAVIT OF JOHN P. CASSIDY**

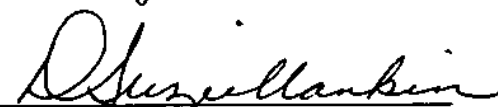
STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

John P. Cassidy, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 18 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
\_\_\_\_\_  
John P. Cassidy

Subscribed and sworn to before me this 4<sup>th</sup> day of June, 2007.



  
\_\_\_\_\_  
Notary Public

## **RATE CASE PROCEEDING PARTICIPATION**

**JOHN P. CASSIDY**

<b><u>COMPANY</u></b>	<b><u>CASE NO.</u></b>
<b>Missouri Cities Water Company</b>	<b>WR-91-172</b>
Payroll and Related Pensions OPEBS General Insurance Expense Advertising Expense Miscellaneous Expenses	
Type of Testimony Filed: Direct and Surrebuttal	
<b>St. Louis County Water Company</b>	<b>WR-91-361</b>
Tank Painting Main Failures Residue Removal General Insurance Expense PSC Assessment Miscellaneous Expenses	
Type of Testimony Filed: Direct	
<b>Southwestern Bell Telephone Company</b>	<b>TC-93-224</b>
Advertising Expenses Promotional Giveaways Miscellaneous Expenses	
Type of Testimony Filed: Direct and Surrebuttal	

**Laclede Gas Company**

**GR-94-220**

Payroll and Payroll Taxes  
Incentive Compensation  
401 (K)  
Dental and Vision Insurance  
Data Processing

Type of Testimony Filed: Direct

**Empire District Electric Company**

**ER-95-279**

Revenues  
Uncollectibles Expense  
Municipal Franchise Taxes  
Postage Expense  
Emission Credits

Type of Testimony Filed: Direct

**Imperial Utility Corporation**

**SC-96-247**

Rate Base  
Depreciation Reserve  
Depreciation Expense  
CIAC  
Property Taxes  
Property Insurance  
Lab Testing Expense  
Sludge Removal Expense

Type of Testimony Filed: Rebuttal

**St. Louis County Water Company**

**WR-97-382**

Payroll and Payroll Taxes  
Employee Benefits  
Employee Savings  
Shared Employees

Type of Testimony Filed: Direct

**Laclede Gas Company**

**GR-98-374**

Payroll and Payroll Taxes  
401 (K)  
Health Care Costs  
Pension Plan  
Director's Pension Plan  
Trustee Fees  
SERP  
Outside Consulting  
Incentive Compensation  
Advertising Expense

Type of Testimony Filed: Direct

**United Water Missouri, Inc.**

**WR-99-326**

Payroll and Payroll Taxes  
401 (K)  
Health Care Costs  
Employee Relocation  
Corporation Franchise Tax  
Advertising Expense  
Dues and Donations  
Miscellaneous Expenses

Type of Testimony Filed: Direct

**Union Electric Company**

**EC-2000-795**

Injuries and Damages  
Legal Expense  
Environmental Expense

Type of Testimony Filed: Direct



**Union Electric Company**

**GR-2000-512**

Revenues  
Uncollectibles Expense  
Customer Deposits

Type of Testimony Filed: Direct

**Laclede Gas Company**

**GR-2001-629**

Revenues  
Gross Receipts Tax  
Gas Supply Incentive Plan  
Gas Costs  
Uncollectibles Expense  
Non-Utility Operations

Type of Testimony Filed: Direct

**Union Electric Company, d/b/a AmerenUE**

**EC-2002-01**

Fuel Expense  
Callaway Refueling  
Legal Expense  
Environmental Expense  
Capacity Purchases  
Midwest ISO  
Payroll and Related  
Incremental Overtime

Type of Testimony Filed: Direct and Surrebuttal

**Union Electric Company, d/b/a AmerenUE**

**EC-2002-1025**

Legal Expense  
Environmental Expense  
Midwest ISO

Type of Testimony Filed: Direct

**Laclede Gas Company**

**GR-2002-356**

Revenues  
Gross Receipts Tax  
Gas Supply Incentive Plan  
Gas Costs  
Uncollectibles Expense  
Income Taxes

Type of Testimony Filed: Direct

**Laclede Gas Company**

**GT-2003-0117**

Financial Aspects

Type of Testimony Filed: Direct

**Missouri-American Water Company**

**WR-2003-0500 & WC-2004-0168**

Allocation of Belleville Labs Cost to MAWC  
National Call Center  
Compensation for Services Provided from MAWC to AWR  
Information Technology Services  
Capitalization of Shared Services  
Transition Costs  
Cost Allocation Manual  
Affiliate Transactions  
Severance Costs  
National Call Center Transition Costs  
National Shared Services Transition Costs

Type of Testimony Filed: Direct & Surrebuttal

**Missouri-American Water Company**

**SM-2004-0275**

Acquisition Adjustment

Type of Testimony Filed: Direct

**The Empire District Electric Company**

**ER-2004-0572**

Interim Energy Charge  
Fuel Expense  
Purchased Power  
Off System Sales  
KCPL Transmission Expense  
Income Taxes

Type of Testimony Filed: Direct & Surrebuttal

**Union Electric Company, d/b/a AmerenUE**

**GR-2007-0003**

Environmental Expense

Type of Testimony Filed: Direct

**Union Electric Company, d/b/a AmerenUE**

**ER-2007-0002**

Fuel Expense  
Fuel Inventories  
Callaway Refueling Expense  
Combustion Turbine Maintenance Expense  
Environmental Expense  
Gains on the Sale of Sulfur Dioxide Emission Allowances

Type of Testimony Filed: Direct, Rebuttal and Surrebuttal



**Missouri  
American Water**

535 North New Ballas Road  
St. Louis, MO 63141

Robert Schallenberg  
1911 N Circle Dr  
Jefferson City MO 65109-1207



Dear Robert Schallenberg:

Recently you received a letter from us describing the Water Line Protection Program being offered by our affiliate, American Water Resources, Inc. In a short amount of time the Program has grown rapidly and thousands of our customers have enrolled to take advantage of this unique offer. Please take a few minutes now to revisit how the Program can save you thousands of dollars and many sleepless nights - your peace of mind is worth it.

**Costs for repairing your water line could amount to thousands of dollars.**

You may not realize it, but as a homeowner, you own the water line that runs through your property between the street and your home. At any time, normal wear and tear can cause your water line to leak or break, as shown on the enclosed diagram. You can't prevent it. You can't predict it. And, worst of all, most homeowner insurance policies do not cover repairing it, so you'll have to pay for it.

**For just pennies a day, you can be protected from unexpected worries and costs.**

In cooperation with our affiliate, American Water Resources, Inc., Missouri American Water is pleased to introduce a special Water Line Protection Program to cover these unexpected costs and provide you with peace of mind. This also means that you won't have to spend hours searching for a qualified repair contractor — you can leave that up to the experts.

When you consider all the advantages, I'm sure you'll agree that this Program is one of the best opportunities available to you as a homeowner.

- Save up to \$3,000 in unexpected repairs for just pennies a day (\$4 a month)
- Enjoy peace-of-mind protection from the most experienced water resource manager in the country
- Eliminate the hassles of searching for a qualified repair contractor

We are pleased to make the protection you need and the peace of mind you deserve available to you while continuing to deliver the quality service you depend on from Missouri American.

Please carefully read the Program terms and conditions on the back of this letter, and keep this information for future reference. For just pennies a day, I'm sure you will agree that the Water Line Protection Program is a good value. So, I encourage you to complete the enclosed enrollment form today. For only \$4 a month, join the thousands of other homeowners that are protected from the expense and worry that a broken water line can cause.

Sincerely,

Eric W. Thornburg  
President

P.S. For just pennies a day, you can save thousands of dollars and countless hours of worry and hassle.

#### AMERICAN WATER RESOURCES, INC.

American Water Resources, Inc. an affiliate of Missouri American Water is dedicated to offering products and services that enhance those services currently offered by Your regulated water provider.

#### WATER LINE PROTECTION PROGRAM

This agreement is between American Water Resources, Inc. and You, a participant in the Water Line Protection Program, hereinafter referred to as the Contract or the Program. Please read the Contract and retain it for Your records.

#### THIS AGREEMENT COVERS

American Water Resources, Inc.'s Water Line Protection Program will cover the cost for repair of Your Customer-Owned Water Line should You have a water leak caused by normal wear and tear.

#### DEFINITIONS

**"Administrator"** means American Water Resources, Inc., 1410 Discovery Parkway, Alton, Illinois 62002. Toll Free 1-866-430-0819.

**"Confirmation Letter"** means the acknowledgement letter You will receive from Us following enrollment outlining Your Program specifications. The Confirmation Letter will include the following information:

Your Name  
Your Covered Address  
Your Customer Number  
Your Program Effective Date  
Your Program Term

**"Customer-Owned Water Line"** means the section of the single water supply line You own that runs from Your home to the connection owned by Missouri American Water. It does not include any connections/ extensions such as water lines to sprinklers and/or agricultural meters.

- If the meter is located inside Your home, it is the section of the water supply line from the shut-off valve to the inlet side of the meter.
- If the meter is located outside Your home, it is the section of the water supply line from the outlet side of the meter to the shut-off valve inside Your home.

**"Effective Date"** means the date protection begins under the Program, which is thirty (30) days after Your Enrollment Date. Your Program Effective Date is listed on Your Confirmation Letter.

**"Enrollment Date"** means the date Your enrollment form is received, processed and confirmed by Us.

**"Lapse of Coverage"** means We requested payment from You for an additional Term or Your periodic Program fee and We did not receive Your full payment within thirty (30) days from the date said payment was due. The Program will lapse without notice.

**"Program"** means American Water Resources, Inc.'s Water Line Protection Program.

**"Term"** means the period of time, from the Program Effective Date, Your Program will be in effect. The Program Term is annual (three hundred sixty five (365) days) unless it is terminated or cancelled sooner as provided herein. Your Program Term is listed on Your Confirmation Letter.

**"We," "Us" and "Our"** mean the Administrator.

**"You" and "Your"** mean a residential customer and customer of record of Missouri American Water, the homeowner of a single-family residence and the purchaser of this Program.

#### ELIGIBILITY FOR PROTECTION

You must be a residential customer, customer of record of Missouri American Water and owner of the residence to which the Customer-Owned Water Line is attached. The Customer-Owned Water Line must be free of leaks and in working order prior to Your Enrollment Date in the Program. Homeowners in multi-unit dwellings such as condominiums, town homes, duplexes and apartment houses are not eligible for the Program.

#### PERIOD OF PROTECTION

Program Protection initiates thirty (30) days after Your Enrollment Date. Your protection will continue for the Term listed on Your Confirmation Letter. Your Program Term can automatically be extended provided You make timely payments to Us at the then-current annual Program fee. If You purchase additional Terms without a Lapse of Coverage, Your protection will remain the Program Effective Date listed on Your Confirmation Letter. If the Program lapses as outlined under "Lapse of Coverage," You may re-enroll in the Program at any time subject to a new Enrollment Date and Effective Date.

#### LIMIT OF PROTECTION

The maximum amount We will pay for any covered repair under the Program is \$3,000 per occurrence. Before the line is repaired, if a permit is required, We will obtain proper permitting before work will commence. We will provide basic site restoration to the repair area once the repair work is completed. Site restoration is limited to filling in, raking and reseeding one time only. All repairs to Your Customer-Owned Water Line will comply with local water code requirements. Any subsequent repair made within 60 days of a prior covered repair will be considered as a part of that prior covered repair and limited to the \$3,000 per occurrence limit. If a permit was acquired to commence work on covered water lines and requires a sidewalk, located in a public easement, to be repaired, the Program will provide repair of said sidewalk up to \$500. Cost to repair sidewalks applies toward the Program \$3,000 maximum. You will not, unless at Your own expense, engage a contractor or otherwise incur costs to repair the Customer-Owned Water Line on Our behalf. You may neither transfer the Program to a new owner of the covered property nor transfer the Program to a different residence owned by You.

#### THIS AGREEMENT DOES NOT COVER

- Damage to Customer-Owned Water Line incurred or existing prior to the Program Enrollment Date.
- Damage to Customer-Owned Water Line caused by the actions or negligence of You or third parties.
- Damage to Customer-Owned Water Line caused by natural disasters, or acts of nature, including, but not limited to, earthquakes, floods, landslides or sinkholes or any other insurable cause.
- Any consequential, incidental or special damages You incur including lost water, regardless of whether they are caused by delays, failure to service or for conditions beyond the control of the Administrator.
- Restoration of trees, shrubs, paved surfaces, or structures, for any reason.
- Any damage to finished or unfinished walls or surfaces inside Your home necessary to access and repair Your Customer-Owned Water Line.
- Leak repairs to any interior pipes beyond the shut-off valve inside Your home.
- Restoration of sidewalks not located in public easement. Also, restoration of sidewalks located in public easements but not required on the permit.
- Removal of debris necessary to access and repair Your Customer-Owned Water Line, including but not limited to old cars, trash, storage, rocks or materials.
- Movement of the meter at the time of repair, unless required by local code.
- Coverage for multi-unit housing including, but not limited to, town homes, condominiums, duplexes and apartment houses; and any facility used for commercial purposes.
- Updating non-leaking pipes to meet code, law or ordinance requirements or changes thereto.
- Movement of working pipes and/or lines.

#### YOUR RESPONSIBILITIES

If You suspect there is a water leak, call the toll-free number shown on Your water bill from Missouri American Water who will investigate the source of the problem. In the event Missouri American determines that the leak is to Your Customer-Owned Water Line, We will arrange to have an approved, independent contractor call You to set up a time to come out to Your home. The contractor will contact You within 12 hours for emergency service, or by 5:00 pm the next business day for all other service, to arrange for repair of Your Customer-Owned Water Line.

If a permit was acquired that requires repair to sidewalks located in public easements, and the cost to repair exceeds the Program maximum of \$500, it is Your responsibility to pay any additional costs. If repair cost to the Customer-Owned Water Line exceeds the Program maximum of \$3,000, it is Your responsibility to pay any additional costs. Any costs in excess of the Program maximum will be stated to You before work is performed and We will send You an invoice for all expenses over any Program maximum. Beyond the previously outlined exceptions, You will not be charged any deductible or service call fees in conjunction with a covered repair. It is Your responsibility to secure permission (right-of-way) associated with gaining access to repair Your Customer-Owned Water Line that may pass through property that You do not own.

#### ADMINISTRATOR'S RIGHTS

We reserve the right to change Your Program fee and/or the Program terms and conditions with thirty (30) days written notice to You. We reserve the right to transfer or assign Your Program contract. You grant Us the right to obtain customer of record information from Missouri American Water limited to Your name, address and any other pertinent information. This information will not be sold to any outside marketing companies.

#### CANCELLATION

You may cancel this Program at any time by mailing a cancellation request to American Water Resources, Inc., Attention: Water Line Protection Administrator, 1410 Discovery Parkway, Alton, Illinois 62002. If You cancel, the effective date of cancellation is the date We receive Your notice. You have thirty (30) days from Your Enrollment Date to cancel and receive a full refund of any payments made. Your Program participation will be subject to cancellation without notice once You are thirty (30) days past due on any payment for the Program. If Your Program protection has been cancelled due to non-payment, You may re-enroll in the Program with a new Enrollment Date and new Effective Date. We reserve the right to cancel the Program at any time upon ninety (90) days notice to You. Any refund as a result of the cancellation of the contract by either You or Us, will be determined on a prorated basis less the cost of any service performed under the Program. If You are owed a refund, it will be processed via the enrollment payment method You chose to join the Program.

#### PAYMENT ARRANGEMENTS

You may make payment for this Program by check. In the event that Your check is returned for Non-Sufficient Funds, Your status in the Program will be terminated as of your Enrollment Date without notice.

You may make payment for this Program by authorizing a charge to Your credit card account (Visa/MasterCard only). The charge to Your credit card account will be for a full year's participation in the Program. If Your credit card charge is not valid for any reason, Your status in the Program will be terminated as of your Enrollment Date without notice. In the event of Cancellation as provided above, the refund described in the Cancellation paragraph will be credited to Your credit card account.

Your Program participation will be subject to cancellation without notice once You are thirty (30) days past due on any payment for the Program.

#### TAXES

American Water Resources, Inc. will collect any and all appropriate taxes if required by the local municipal government(s), county government or the State of Missouri. These taxes will be collected at the time of payment. This Program is not currently taxed in the State of Missouri.

#### LIMITATION OF LIABILITY

In the event that Your property is not eligible for coverage under the terms and conditions of the Program, our only obligation is to refund any payments made by You to Us. Once we have paid You this refund, the Program will be voided as of Your Enrollment Date. The liability of the Administrator, its affiliated companies, its officers, employees, contractors and/or agents to You, or to any other third party or person, for damages resulting from the provision of, or failure to provide services under this Program, or as the result of any fault, failure, defect or deficiency in any service, labor, material, work or product furnished in connection with this Program shall be limited to an amount not to exceed \$3,000. In no event, however, shall the Administrator, its affiliated companies, its employees, agents and contractors have any liability for special, indirect, incidental, consequential or punitive damages resulting from the provision of or failure to provide service under this Program, or from any fault, failure, defect or deficiency in any service, labor, material, work or product furnished in connection with this Program. These limitations of and exclusions from liability shall apply regardless of the nature of the claim or the remedy sought.

THE WATER LINE PROTECTION PROGRAM IS NOT AN INSURANCE CONTRACT OR POLICY. THE PROGRAM PROVIDES FOR THE REPAIR OF LEAKS TO YOUR CUSTOMER-OWNED WATER LINE DUE TO NORMAL WEAR AND TEAR. THIS CONTRACT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN AMERICAN WATER RESOURCES, INC. AND YOU, AND THERE ARE NO OTHER PROMISES OR CONDITIONS IN ANY OTHER AGREEMENT WHETHER WRITTEN OR ORAL.

American Water Resources, Inc.  
Water Line Protection Program  
1410 Discovery Parkway, Alton, IL 62002  
Toll Free 1-866-430-0819

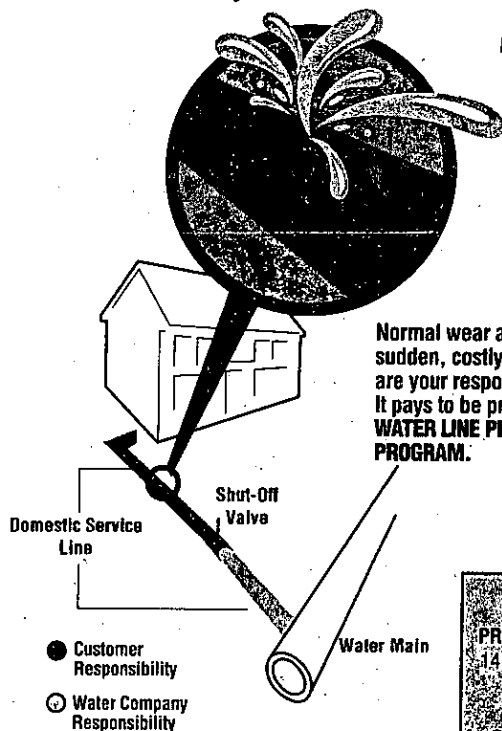
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01-000003945-48



☐ **YES! I want protection and peace of mind.**  
Enroll me in the **WATER LINE PROTECTION PROGRAM** today.

**Special  
Introductory  
Offer**



Normal wear and tear can cause sudden, costly water leaks that are your responsibility to repair. It pays to be protected by the **WATER LINE PROTECTION PROGRAM**.

**WATER LINE PROTECTION PROGRAM**  
1410 Discovery Parkway  
Alton, IL 62002  
**TOLL FREE**  
**1-866-430-0819**



1003836 MO48103R

## IMMEDIATE ACTION FORM

**MO48103R**

Homeowner's Name: **Robert Schallenberg**

**SERVICE ADDRESS: PROGRAM NOT AVAILABLE TO MULTI-UNIT DWELLERS AND RENTERS**

Street: **1911 N Circle Dr**

City: **Jefferson City**

State: **MO**

Zip: **65109**

Reference Number:

**1003836**

**MAILING ADDRESS**

Street: **1911 N Circle Dr**

City: **Jefferson City**

State: **MO**

Zip: **65109-1207**

**CONTACT INFORMATION**

Home Phone:

Work Phone:

E-mail:

**PAYMENT OPTIONS**

☐ **I PREFER TO PAY BY CREDIT CARD**

I authorize American Water Resources, Inc. to charge the amount of \$48.00 to my credit card:

☐ VISA®

☐ MasterCard®



Expires:

Account#

Signature

(required if using credit card)

Date

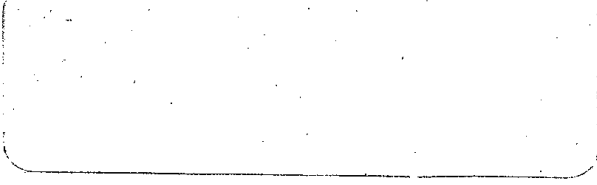
☐ **I WISH TO PAY BY CHECK**

I've enclosed a check or money order in the amount of \$48.00 made payable to American Water Resources, Inc. in the enclosed postage-paid envelope.

By signing this enrollment form you agree to all terms and conditions of the WATER LINE PROTECTION PROGRAM as outlined on the back of the letter. Confirmation of enrollment will be sent to the above mailing address. Coverage begins 30 days after enrollment form is received and confirmed by American Water Resources, Inc. The expiration date for this introductory offer is 3/31/04. After 3/31/04 call 1-866-430-0819 for current offer.

**X** Signature:

Date:



---

535 North New Ballas Road, St. Louis, MO 63141

From: \_\_\_\_\_

**PRIORITY  
PROCESSING**

**BUSINESS REPLY MAIL**

FIRST-CLASS MAIL PERMIT NO 541 ALTON IL

POSTAGE WILL BE PAID BY ADDRESSEE

**AMERICAN WATER RESOURCES INC  
1410 DISCOVERY PARKWAY  
ALTON IL 62002-9952**

NO POSTAGE  
NECESSARY  
IF MAILED  
IN THE  
UNITED STATES







## American Water Resources

P.O. Box 577  
Alton, IL 62002-0577

Robert Schallenberg  
1911 N Circle Dr  
Jefferson City MO 65109-1207



### A Sewer Line Problem Can Be One Of The Costliest Repairs You Face As A Homeowner.

**Protect Yourself Up To  
\$8,000 in Unexpected  
Repairs.**

Dear Robert Schallenberg,

Most homeowners never give their sewer line a second thought -- until it clogs up. And at that point, a major, costly repair may be the only solution. It happens more often than homeowners realize; your sewer line is up to 4 times more likely to cause you costly repairs than other underground utility lines. That's why choosing the **NEW Sewer Line Protection Program**, offered by our affiliate American Water Resources, is such a sound decision.

**Excavation...line clearing...site restoration...sidewalk/street repaving...can all cost thousands of dollars.**

You own and are responsible for maintaining the sewer line running between your home's exterior and the street. It's highly vulnerable to clogs and blockages...from tree roots, pipe collapse and common waste, which can happen at any time — usually without advance notice.

Unfortunately, you can't fix the problem with liquid drain opener — it can take heavy machinery, skilled crews with special equipment and licensed plumbers to install new sections of pipe. That's an expensive procedure, and it comes straight out of your pocket. If you think your homeowners insurance will cover the cost, better think twice — most policies will not pay for it.

**Protect yourself from unexpected worries and costs for a low monthly fee.**

As a valued American Water customer, you can enroll in the **Sewer Line Protection Program** today and relax. It costs only a small amount — just \$9 a month for the opportunity to save thousands of dollars in unexpected blockage repairs. And you'll avoid the hassle of finding a qualified contractor. We promptly dispatch experienced repair technicians right to your door in less than 24 hours, for a modest service call fee.\*

When you consider the benefits, I'm certain you'll agree that this program is another excellent opportunity available to you as an American Water customer.

- Save up to \$8,000 in unexpected blockage repairs for only \$9 a month
- Enjoy peace of mind knowing your problem will be handled by experts within 24 hours of your call
- Be confident with protection from one of the country's most experienced water resource managers

Please carefully read the program terms and conditions on the back of this letter, and keep this information for future reference. Then simply return your Priority Enrollment Form in the enclosed envelope, and you'll be protected from the expense and anxiety of a clogged or blocked sewer line. And because your sewer line can clog at any time, it makes good sense to return your Form today.

Sincerely,

Graham Wood  
President

P.S. Protect your sewer line today! Enroll now.

\*\$50 service fee applies when a contractor is dispatched to your home.

RWE Group  
Schedule 3-1



# American Water Resources

## AMERICAN WATER RESOURCES, INC.

American Water Resources, Inc., a subsidiary of American Water, is dedicated to offering products and services that enhance those services currently offered by Your regulated water provider and Your local Wastewater Service Provider.

## SEWER LINE PROTECTION PROGRAM

This agreement is between American Water Resources, Inc. and You, a participant in the Sewer Line Protection Program, hereinafter referred to as the "Contract" or the "Program." Please read the Contract and retain it for Your records.

## THIS AGREEMENT COVERS

American Water Resources, Inc.'s Sewer Line Protection Program will cover the costs associated with Our service to clear or repair a blockage of Your Customer-Owned Sewer Line subject to the terms and conditions outlined below.

## DEFINITIONS

"Administrator" means American Water Resources, Inc., 1410 Discovery Parkway, Alton, Illinois 62002. Toll Free 1-866-430-0819.

"Confirmation Letter" means the acknowledgement letter You will receive from Us following enrollment outlining Your Program specifications. The Confirmation Letter will include the following information:

- Your Name
- Your Covered Address
- Your Customer Number
- Your Program Effective Date
- Your Program Term

"Customer-Owned Sewer Line" means the section of the lateral sewer service line You own that collects and conveys household wastewater from Your home to the Wastewater Collection System. The Program covers the portion of Your Customer-Owned Sewer Line that is the most direct line between the exterior foundation wall of Your home and Wastewater Collection System. It does not include any connections or extensions such as lines to or from septic systems, leach fields or non-conforming drain lines and does not include any pumps or other mechanical devices that may be connected to Your Customer-Owned Sewer Line. In addition, it does not include any section of the sewer service line owned by others outside of this Agreement to which Your Customer-Owned Sewer Line is attached.

"Effective Date" means the date protection begins under the Program, which is 30 days after Your Enrollment Date. Your Program Effective Date is listed on Your Confirmation Letter.

"Enrollment Date" means the date Your enrollment form is received, processed and confirmed by Us.

"Lapse of Coverage" means We requested payment from You for an additional Term or Your periodic Program fee was due and We did not receive Your full payment within 30 days from the date said payment was due. The Program will lapse without notice.

"Program" means American Water Resources, Inc.'s Sewer Line Protection Program.

"Service Fee" means the \$50 fee You must pay each time We dispatch an authorized service provider to Your home to investigate, clear or repair a blockage of Your Customer-Owned Sewer Line. The Service Fee will be collected by Our authorized service provider and is payable immediately upon completion of Our service to investigate, clear or repair a blockage of your Customer-Owned Sewer Line.

"Term" means the period of time, from the Program Effective Date, Your Program will be in effect. The Program Term is annual (12 months) unless it is terminated or cancelled sooner as provided in this Contract. Your Program Term is listed on Your Confirmation Letter.

"Wastewater collection system" means the sewage collection system owned by local Wastewater Service Provider to which Your Customer-Owned Sewer Line is connected.

"Wastewater Service Provider" means Your local utility company or municipal sewer authority that owns and is responsible for maintaining the Wastewater Collection System that receives wastewater from Your single-family home.

"We", "Us" and "Our" means the Administrator.

"You" and "Your" means the owner of a single-family residential home and the purchaser of this Program.

## ELIGIBILITY FOR PROTECTION

You must be the owner of a single-family home to which the Customer-Owned Sewer Line is attached. The Customer-Owned Sewer Line must be free of clogs and blockages and in working order prior to Your Enrollment Date in the Program. Homeowners of multi-unit dwellings such as condominiums, town homes or duplexes are eligible for the Program only if they have ownership and maintenance responsibility for the dwelling's lateral sewer service line. The Program is not available to any tenant who rents or leases a single-family residential home. In the event that Your property is not eligible for coverage under the terms and conditions of the Program, Our only obligation is to refund any payments made by You to Us. Once we have paid You this refund, the Program will be voided as of Your Enrollment Date.

## PERIOD OF PROTECTION

Program Protection initiates 30 days after Your Enrollment Date. Your protection will continue for the Term listed on Your Confirmation Letter. Your Program Term may be automatically extended provided You make timely payments to Us at the then-current annual Program fee. If You purchase an additional Term without a Lapse of Coverage, Your covered period of protection will remain the Program Effective Date listed on Your Confirmation Letter. If the Program lapses as outlined under "Lapse of Coverage," You may re-enroll in the Program at any time subject to a new Enrollment Date and Effective Date.

## HOW TO GET SERVICE AND YOUR RESPONSIBILITIES

If You suspect there is a blockage of Your Customer-Owned Sewer Line, You must first contact Your local Wastewater Service Provider to determine the source of the problem. In the event Your local Wastewater Service Provider determines the blockage to be Your responsibility, then You must contact Us toll free 1-866-430-0819 to request Our service. We will arrange to have an approved, independent contractor call You to make arrangements to come out to Your home. Following that call, the independent contractor will be dispatched to Your home within 24 hours to clear or repair a blockage of Your Customer-Owned Sewer Line.

If the cost to clear or repair a blockage of Your Customer-Owned Sewer Line exceeds the Program maximum of \$4,000, it is Your responsibility to pay any additional costs. If a permit is required for a public Sidewalk or Road Opening repair and the cost to repair exceeds the additional limit of \$4,000, it is Your responsibility to pay any additional costs. These limits on the protection that We provide under the Program are described in greater detail below under the heading "LIMIT OF PROTECTION." Any costs in excess of any Program limits will be stated to You before work is performed and We will send you an invoice for all expenses over any Program maximum. It is also Your responsibility to pay the Service Fee to Our authorized service provider immediately upon completion of Our service to investigate, clear or repair a blockage of Your Customer-Owned Sewer Line.

It is Your responsibility to secure permission (right-of-way) associated with Our gaining access to clear or repair a blockage of Your Customer-Owned Sewer Line that may pass through property that You do not own.

## LIMIT OF PROTECTION

The maximum amount We will pay for any covered Customer-Owned Sewer Line blockage service under the Program is \$4,000 per occurrence. Before a blockage is cleared or repaired, if a permit is required, We will obtain proper permitting before work will commence. We will provide basic site restoration to ground areas outside Your home if it is necessary for Us to undertake excavation work to access and clear or repair a blockage of Your Customer-Owned Sewer Line. Basic site restoration is limited to filling in, raking and reseeding one time only. All blockage service of Your Customer-Owned Sewer Line will comply with local applicable code requirements.

Any subsequent service We provide to clear or repair a blockage of Your Customer-Owned Sewer Line that occurs within 60 days of a prior covered blockage service, will be considered as part of that prior covered blockage service and limited to the \$4,000 per occurrence limit. If a permit is required to commence work on Your Customer-Owned Sewer Line and requires a public sidewalk or public road to be cut, excavated and repaired, known as a public "Sidewalk or Road Opening," the Program provides an additional limit of \$4,000 for a public Sidewalk or Road Opening. Only expenses directly related to a Sidewalk or Road Opening are paid under this separate limit. This additional limit, if applicable, does not add any additional coverage to the basic \$4,000 per occurrence limit to clear or repair a blockage of Your Customer-Owned Sewer Line. You will not, unless at Your own expense, engage a contractor or otherwise incur costs to clear or repair a blockage of Your Customer-Owned Sewer Line on Our behalf. You may neither transfer the Program to a new owner of the covered property nor transfer the Program to a different residence owned by You.

## LIMITED WARRANTY

SUBJECT TO THE TERMS AND CONDITIONS STATED IN THIS CONTRACT, WE WARRANT THAT WE WILL PAY THE COST TO CLEAR OR REPAIR A BLOCKAGE OF YOUR CUSTOMER-OWNED SEWER LINE COVERED UNDER THE PROGRAM WHICH BECOMES BLOCKED AS A RESULT OF NORMAL WEAR AND USAGE. THIS WARRANTY APPLIES ONLY TO COVERED SERVICES AND IS SUBJECT TO LIMITS ON THE AMOUNT WE WILL PAY AS DESCRIBED IN THIS CONTRACT. WE MAKE NO OTHER EXPRESS OR IMPLIED WARRANTIES OR GUARANTEES OF ANY KIND, AND ANY IMPLIED WARRANTIES OR GUARANTEES ARE EXPRESSLY DISCLAIMED.

## THIS AGREEMENT DOES NOT COVER

The Program does not cover the following:

- A Customer-Owned Sewer Line 1) not connected to a public or municipal sewer system; 2) with a connection to or from a septic system, tank or leach field; 3) with a connection to or from any non-conforming drain line such as a basement or storm drain system.
- A blocked Customer-Owned Sewer Line 1) incurred or existing prior to Your Program Enrollment Date; 2) caused by the actions or negligence of You or third parties; 3) caused by natural disasters, or acts of nature, including, but not limited to, earthquakes, floods, landslides, sinkholes or any other insurable cause.
- Any section of the sewer service line owned by others outside of this Agreement to which Your Customer-Owned Sewer Line is attached.
- Blocked lift stations, ejector pumps, grinder pumps or any other mechanical devices connected to Customer Owned Sewer Line.
- Any portion of Customer-Owned Sewer Line located inside or under Your home.
- Any blockage service required as a result of any local, city or state agency inspection of Your Customer-Owned Sewer Line.
- Any damage to the inside of Your home due to the backup of Your Customer-Owned Sewer Line.
- Restoration of trees, shrubs, structures, or sidewalks, drive ways, or other paved surfaces.

Restoration of non-public sidewalks/roadways or public sidewalks/roadways that are not required by permit to be repaired.

Removal of debris necessary to access and clear or repair a blockage of Your Customer-Owned Sewer Line, including but not limited to temporary structures, old cars, trash, storage, rocks or materials.

Any rental dwellings for which Program enrollment is in the name of the tenant or any dwellings used for commercial purposes. (Unit owners please refer to "Eligibility for Protection.")

Updating non-blocked lines to meet code, law or ordinance requirements or changes thereto.

Movement of working sewer lines for any reason.

Any consequential, incidental or special damages You incur, regardless of whether they are caused by delays, failure to service or for conditions beyond the control of the Administrator. For example, the Program does not cover 1) the cost of cleaning up, repairing or replacing property (other than clearing or repairing a blockage of Your Customer-Owned Sewer Line and basic site restoration as provided above) which is damaged due to the backup of Your Customer-Owned Sewer Line; 2) costs and expenses incidental to the backup of Your Customer Owned Sewer Line such as loss of time, loss of use of Your home and other property, costs to stay at a hotel or to rent a home and costs to move and store property outside Your home; and 3) damages you incur due to any special circumstances or conditions.

## ADMINISTRATOR'S RIGHTS

We reserve the right to change Your Program fee and/or the Program terms and conditions with 30 days written notice to You. We reserve the right to transfer or assign Your Program contract.

## CANCELLATION

You may cancel this Program at any time by mailing a cancellation request to American Water Resources, Inc., Attention: Sewer Line Protection Administrator, 1410 Discovery Parkway, Alton, Illinois 62002. If you cancel, the effective date of cancellation is the date We receive Your notice. You have 30 days from Your Enrollment Date to cancel and receive a full refund of any payments made. Your program participation will be subject to cancellation without notice once You are 30 days past due on any payment for the Program, including the Service Fee. If your Program protection has been cancelled due to non-payment, You may re-enroll in the Program with a new Enrollment Date and new Effective Date. We reserve the right to cancel the Program at any time upon 90 days notice to You. Any refund as a result of the cancellation of the contract by either You or Us, will be determined on a prorated basis less the cost of any service performed under the Program. If You are owed a refund, it will be processed via the enrollment payment method You chose to join the Program.

## PAYMENT ARRANGEMENTS

You may make payment for this Program by check. In the event that Your check is returned for Non-Sufficient Funds, Your status in the Program will be terminated as of Your Enrollment Date without notice.

You may make payment for this Program by authorizing a charge to Your credit card account (Visa/MasterCard only). The charge to Your credit card account will be for a full year's participation in the Program. For credit card customers only, this Program will be extended automatically for successive one (1) year Terms. You grant us the right to automatically charge Your credit card each year at the then-current annual Program fee until you mail a cancellation request to American Water Resources, Inc. as set forth above in the "Cancellation" provision. You may cancel the automatic charge to Your credit card and make payment for this Program by check by mailing a request and your payment to American Water Resources, Inc. If Your credit card charge is not valid for any reason, Your status in the Program will be terminated as of Your Enrollment Date without notice. In the event of Cancellation as provided above, the refund described in the Cancellation paragraph will be credited to Your credit card account.

Your Program participation will be subject to cancellation without notice once You are thirty (30) days past due on any payment for the Program.

## TAXES

American Water Resources will collect any and all appropriate taxes if required by the local municipal government(s), county government or the State of Missouri. These taxes will be collected at the time of payment. This Program is not currently taxed in the state of Missouri.

## LIMITATION OF LIABILITY

The liability of the Administrator, its affiliated companies, its officers, employees, contractors and/or agents to You, or to any other third party or person, for damages resulting from the provision of, or failure to provide services under this Program, or as the result of any fault, failure, defect or deficiency in any service, labor, material, work or product furnished in connection with this Program shall be limited to an amount not to exceed \$4,000 (or up to an additional \$4,000 limit that applies separately, if applicable, in the case of a public Sidewalk or Road Opening). In no event, however, shall the Administrator, its affiliated companies, its employees, agents and contractors have any liability for direct, indirect, special, incidental, consequential, (as described above) or punitive (damages to punish Us for any wrongdoing) damages or attorney fees resulting from the provision of, or failure to provide service under this Program, or from any fault, failure, defect or deficiency in any service, labor, material, work or product furnished in connection with this Program. These limitations of, and exclusions from, liability shall apply regardless of the nature of the claim or the remedy sought.

**THE SEWER LINE PROTECTION PROGRAM IS NOT AN INSURANCE CONTRACT OR POLICY. THE PROGRAM PROVIDES A SERVICE TO CLEAR OR REPAIR A BLOCKAGE OF YOUR CUSTOMER-OWNED SEWER LINE WHICH BECOMES BLOCKED AS A RESULT OF NORMAL WEAR AND USAGE. THIS CONTRACT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN AMERICAN WATER RESOURCES, INC. AND YOU, AND THERE ARE NO OTHER PROMISES OR CONDITIONS IN ANY OTHER AGREEMENT WHETHER WRITTEN OR ORAL.**

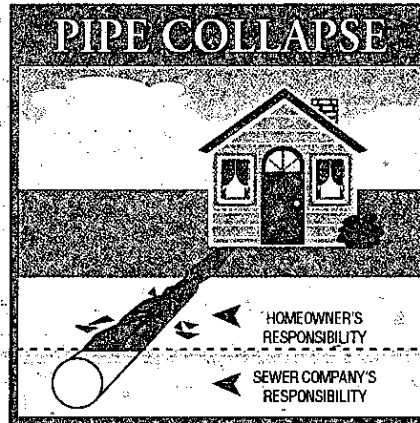
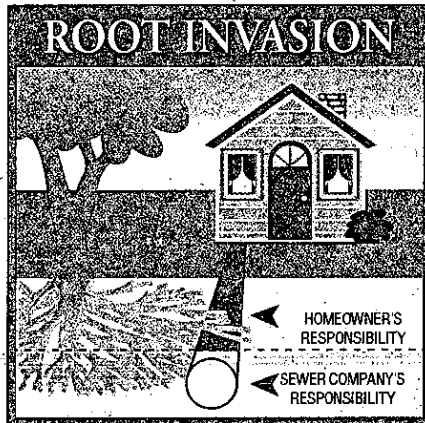
**AMERICAN WATER RESOURCES, INC.  
SEWER LINE PROTECTION PROGRAM  
1410 DISCOVERY PARKWAY, ALTON, IL 62002  
TOLL FREE 1-866-430-0819**

MO SLPP 108 TC 0805.1

000001256

Schedule 3-2

# Avoid Costly, Unexpected Blockage Repairs!



## Protect Yourself With The Sewer Line Protection Program

CUSTOMER SERVICE CENTER  
SEWER LINE PROTECTION PROGRAM  
1410 Discovery Parkway, Alton, IL 62002  
Toll Free 1-866-430-0819

DETACH HERE

### PRIORITY ENROLLMENT FORM:



American  
Water Resources

MOS9105M

☐ **YES!** I want to protect my sewer line. Please enroll me in the **NEW** Sewer Line Protection Program today!

**PROTECTED HOME ADDRESS: PROGRAM IS NOT AVAILABLE TO MULTI-UNIT DWELLERS AND RENTERS**

Home Owner's Name: Robert Schallenberg

Reference Number: 1003836

Street Address: 1911 N Circle Dr

City: Jefferson City

State: MO

Zip: 65109

**MAILING ADDRESS:** If different than above address

Street Address: 1911 N Circle Dr

City: Jefferson City

State: MO

Zip: 65109-1207

#### CONTACT INFORMATION:

Home Phone (required): ( ) -

Work/Cell Phone: ( ) -

E-mail:

**PAYMENT OPTION: COST IS IN ADDITION TO ANY FEES FOR OTHER AMERICAN WATER RESOURCES PROGRAMS**

☐ **I PREFER TO PAY BY CREDIT CARD** I authorize American Water Resources, Inc. to charge the amount of \$108.00 to my credit card:

☐ VISA®



☐ MasterCard®



Expires:

Account#

Signature

Date

(required if using credit card)

☐ **I WISH TO PAY BY CHECK** I've enclosed a check or money order in the amount of \$108.00 made payable to American Water Resources, Inc. in the enclosed postage-paid envelope. (Please be sure to write your reference number on your check.)

By signing this enrollment form you agree to all terms and conditions of the SEWER LINE PROTECTION PROGRAM as outlined on the back of the enclosed letter. Confirmation of enrollment will be sent to the above mailing address. Protected home coverage begins 30 days after enrollment form is received and confirmed by American Water Resources, Inc. The expiration date for this offer is 12/04/05. After 12/04/05 please call 1-866-430-0819 for current offer.

**X** Signature

Date



1003836MOS9105M

**PRIORITY  
PROCESSING**

**BUSINESS REPLY MAIL**

FIRST-CLASS MAIL PERMIT NO 541 ST LOUIS MO

POSTAGE WILL BE PAID BY ADDRESSEE

AMERICAN WATER RESOURCES INC  
PO BOX 790282  
ST LOUIS MO 63179-9735

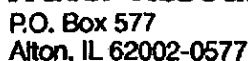
IN THE  
UNITED STATES



PRSR:STD  
U.S. POSTAGE  
PAID  
American Water  
Resources

**IMPORTANT INFORMATION  
ABOUT YOUR SEWER LINE**

**RWE**  **Group**



**PROBLEM:**

- A burst pipe floods the kitchen ... the plunger doesn't fix the overflowing toilet ... you can't shower because the drain is totally clogged ... sooner or later most homes experience a plumbing emergency
- It could take days for a plumber to make a service call
- Emergency repairs can be very expensive

**DELIVERED TO:**

\*\*\*\*\*AUTO\*\* MIXED AADC 430

Jenn Van Es  
1025 Laurel Oak Rd  
Voorhees, NJ 08043-3506



**SOLUTION:**

**The In-Home Plumbing Emergency Program offered by  
American Water Resources**

**Dear Jenn Van Es:**

**You know it's going to happen at the worst possible moment. A toilet overflows. Your sink backs up. Or a water pipe bursts in your basement. That's no time to have to search for a plumber and hope whoever you call shows up — and won't overcharge you when it's time to pay.**

**That's why American Water Resources, a subsidiary of American Water, is so pleased to introduce you to a great companion to your existing Service Line Protection Program. The NEW In-Home Plumbing Emergency Program is a welcome time-saving and money-saving solution — and as a Service Line Protection subscriber, you're eligible to add this protection at a special discounted rate. It's your one-call solution when an in-home plumbing emergency occurs.**

**Just make one toll-free call — and have the experts take it from there.**

Instead of thumbing through the phone book for names, just call the Emergency Service Hotline 24 hours a day, 365 days a year — and relax. American Water Resources will promptly dispatch a qualified plumber to your home, and pay the bill up to \$1,500! When you consider what you could otherwise pay for emergency repair of a clogged bathtub drain ... leaking washing machine valve ... blocked toilet and more ... you'll agree this is protection you won't want to be without.

**What's more, there's no limit on the number of times you can take advantage of the In-Home Plumbing Emergency Program. A plumbing crisis can happen unexpectedly in any home, and if you value having peace of mind you'll be delighted with this smart and affordable protection.**

**For just pennies a day, you'll be prepared for the next plumbing emergency.**

Because you already subscribe to the Service Line Protection Program, you can save up to 50% on the standard new customer price when you add the In-Home Plumbing Emergency Program. New customers pay up to \$7.99 a month, but you'll pay a remarkably affordable price of just \$3.99 a month ... plus a modest service call fee of \$50 no matter if it's nighttime, the weekend, or even a holiday. Imagine what just one after-hours service visit from a plumber could cost!

**Please carefully read the enclosed Program terms and conditions; American Water Resources is committed to customer satisfaction and wants you to understand this program is for plumbing emergencies only and does not cover broken fixtures, faucets, and appliances. Keep this information for future reference. Then simply return your Priority Enrollment Form in the enclosed envelope, and you'll be on your way to enjoying ready relief from this common homeowner hassle. Do it today, while it's on your mind.**

Sincerely,



**Graham Wood**  
**President**

**P.S. Be prepared for your next plumbing emergency. Enroll in this affordable Program today!**

MWRLTRHPC04 000000993

**FOR MORE INFORMATION, CALL 1-866-430-0819**

AMWRHPEP5

[illegible]

### Schedule 3-5



# American Water Resources

1410 Discovery Parkway, Alton, Illinois 62002  
Toll-Free 1-866-430-0819

## IN-HOME PLUMBING EMERGENCY PROGRAM TERMS AND CONDITIONS

### AMERICAN WATER RESOURCES, INC.

American Water Resources, Inc., a subsidiary of American Water, is dedicated to offering products and services that enhance those services currently offered by Your Water Service Provider and Wastewater Service Provider.

#### A. IN-HOME PLUMBING EMERGENCY PROGRAM

This agreement is between American Water Resources, Inc. and You, a participant in the In-Home Plumbing Emergency Program, hereinafter referred to as the "Contract" or the "Program". Please read the Contract and retain it for Your records.

#### B. THIS AGREEMENT COVERS

American Water Resources, Inc.'s Program will, subject to the terms and conditions outlined below, cover the costs associated with Our providing emergency service to repair leaks or breaks to Your Water Supply System and clear or repair clogs or blockages of Your Wastewater Drainage System caused by normal wear and usage.

#### C. DEFINITIONS

**Administrator** means American Water Resources, Inc., 1410 Discovery Parkway, Alton, Illinois 62002. Toll Free 1-866-430-0819.

**Confirmation Letter** means the acknowledgement letter You will receive from Us outlining the following information about Your Program enrollment:

- Your Name
- Your Covered Address
- Your Customer Number
- Your Program Effective Date
- Your Program Term

**Effective Date** means the date protection begins under the Program, which is 30 days after Your Enrollment Date. Your Program Effective Date is listed on Your Confirmation Letter.

**Enrollment Date** means the date Your enrollment is received and processed by Us.

**Lapse of Coverage** means We requested payment of the Program Fee from You for Your Term, an additional term or Your periodic Program Fee was due and We did not receive Your full payment within 30 days from the date said payment was due. The Program will lapse without notice.

**Program** means American Water Resources, Inc.'s In-Home Plumbing Emergency Program, as governed by these Terms and Conditions.

**Program Fee** means the annual amount You must pay Us for Program protection during Your Term. We will collect the Program Fee based on the payment authorization You provide Us at the time of enrollment and for each additional Term You purchase. If You enrolled in the Program under a promotional Program Fee offer and You contacted Us during any Term and We grant Your request to modify the conditions of that offer, Your Program Fee will be adjusted to reflect the then-current annual Program Fee based on the Program protection We provide for the remainder of the Term.

**Service Fee** means the \$50 fee You must pay Us each time We dispatch an approved, independent contractor to Your home to investigate or service the Water Supply System or Wastewater Drainage System. The Service Fee will be collected by Our independent contractor and is payable immediately upon completion of Our contractor's investigation or repair service work.

**Term** means the period of time, from the Program Effective Date, Your Program will be in effect. The Program Term is annual (12 months) unless it is terminated or cancelled sooner as provided in this Contract. Your Program Term is listed on Your Confirmation Letter.

**Wastewater Drainage System** means the in-home plumbing system of permanent internal drains and pipes You own that collect and carry water and wastes throughout Your home to Your home's external sewer system. The Program covers all drain lines and pipes that carry water from sinks, showers and bathtubs and all waste lines and pipes, from toilets (blocked toilets are covered) to the point where such lines and pipes exit Your home and connect to the external system.

**Wastewater Service Provider** means Your local sewer utility company or local sewer utility authority that owns and is responsible for maintaining the external sewer system that receives wastewater from Your home.

**Water Service Provider** means Your local water utility company or Your local water utility authority that owns and is responsible for maintaining the exterior main line and section of the service line that delivers a fresh water supply to Your home.

**Water Supply System** means the in-home plumbing system of permanent internal pipes and connecting fittings You own that distribute the incoming water supply throughout Your home to fixtures and appliances. If the water meter is located inside Your home, the Program covers pipes, connecting fittings and valves from the outlet side of the meter to the shut off valve at each fixture and appliance. If the water meter is located outside Your home, the Program covers pipes, connecting fittings and valves from the shut off valve at the entrance point inside Your home to the shut off valve at each fixture and appliance.

**We, Us and Our** means the Administrator.

**You and Your** means the owner of a single-family residential home and the purchaser of this Program.

#### D. ELIGIBILITY FOR PROTECTION

You must be the owner of a single-family home in which the Water Supply System and Wastewater Drainage System are located. Prior to Your Effective Date in the Program Your Water Supply System must be free of leaks or breaks and Your Wastewater Drainage System must be free of clogs or blockages. Homeowners of multi-unit dwellings such as condominiums, town homes or duplexes are eligible for the Program only if they have ownership and maintenance responsibility for the dwelling's Water Supply System and Wastewater Drainage System. The Program is not available to any tenant who rents or leases a single-family residential home.

In the event that You are not eligible for protection under the terms and conditions of the Program, Our only obligation is to refund any Program Fee payments made by You to Us. Once we have paid You this refund, the Program will be voided as of Your Enrollment Date.

#### E. PERIOD OF PROTECTION

Program protection initiates 30 days after Your Enrollment Date and will continue for the Term listed on Your Confirmation Letter. Your Program Term may be automatically extended provided You make timely payments to Us at the then-current annual Program Fee. If You purchase an additional Term without a Lapse of Coverage, Your covered period of protection will remain the Program Effective Date listed on Your Confirmation Letter. If the Program lapses as outlined under "Lapse of Coverage," You may re-enroll in the Program at any time subject to a new Enrollment Date and Effective Date.

#### F. HOW TO GET SERVICE AND YOUR RESPONSIBILITIES

• If You suspect there is a leak or break to Your Water Supply System or clog or blockage of Your Wastewater Drainage System, You must contact Us toll free at 1-866-430-0819 to request Our emergency service. We will arrange to have an approved, independent contractor call You to make arrangements to come out to Your home. Following that call, the independent contractor will be dispatched to Your home within 24 hours to perform Our emergency service.

• If the cost to perform Our emergency service exceeds the Program limit of \$1,500, it is Your responsibility to pay Us for any additional costs over \$1,500.

• It is Your responsibility to pay the Service Fee to Our independent contractor immediately upon completion of Our emergency service.

The limits outlined above on the protection We provide under the Program are described in greater detail below under Contract section entitled "Limit Of Protection". Additional repair costs in excess of any Program limit will be stated to You before the work is performed. It is Your responsibility to pay Us for any additional repair costs and We will send You an invoice to collect such monies. It is Your responsibility to secure permission (right-of-way) associated with Our gaining access to repair Your Water Supply System or Wastewater Drainage System that may pass through property that You do not own.

#### G. LIMIT OF PROTECTION

• The maximum amount We will pay for any covered Water Supply System or Wastewater Drainage System emergency repair service under the Program is \$1,500 per occurrence.

Before performing any repair service under the Program, if a permit is required, We will obtain proper permitting before work will commence. Any repair service We perform to Your Water Supply System or Wastewater Drainage System will comply with applicable plumbing code requirements. Any subsequent repair service We provide to repair the same portion of Your Water Supply System or Wastewater Drainage System that occurs within 60 days of a prior covered repair service We provided You, will be considered as part of that prior covered repair service and limited to the applicable Program limits, per occurrence outlined above. You will not, unless at Your own expense, engage a contractor or otherwise incur costs to repair Your Water Supply System or Wastewater Drainage System on Our behalf. You may neither transfer the Program to a new owner of Your home nor transfer the Program to a different residence owned by You.

#### H. LIMITED WARRANTY

Subject to the terms and conditions stated in this Contract, We warrant that We will pay the cost to provide Our emergency service to repair leaks or breaks to Your Water Supply System and clear or repair clogs or blockages of Your Wastewater Drainage System under the Program that result from normal wear and usage. This warranty applies only to covered repair services and is subject to the limits on the amount We will pay as described in this Contract. We make no other express or implied warranties or guarantees of any kind, and any implied warranties or guarantees are expressly disclaimed.

#### I. THIS AGREEMENT DOES NOT COVER

The Program does not cover the following:

- A Water Supply System 1) not connected to a public or municipal water system; 2) connected to a private well.
- A Wastewater Drainage System 1) not connected to a public or municipal sewer system; 2) with a connection to or from a septic system, tank or leach field; 3) with a connection to or from any non-conforming drain line such as a basement or storm drain system.
- Any leak or break in the Water Supply System or clog or blockage of the Wastewater Drainage System 1) incurred or existing prior to Your Effective Date; 2) caused by the actions or negligence of You or third parties; 3) caused by natural disasters, or acts of nature, including, but not limited to, earthquakes, floods, landslides, sinkholes or any other insurable cause.
- Any leaking 1) fixtures and appliances, including appliance hot supply tube lines, beyond the shut-off valve; 2) or running toilet tanks, bowls or inside flush or fill mechanisms; 3) faucets, spouts, showerheads, diverters or hot water dispensers.
- Any clog or blockage of Your Water Supply System or leak or break of Your Wastewater Drainage System.
- Any section of water or wastewater lines owned by others outside this Program to which Your Water Supply System or Wastewater Drainage System is attached.
- Clogged or blocked lift stations, pumps, garbage disposals or any other mechanical devices connected to Your Wastewater Drainage System.
- Any portion of Your Water Supply System located under Your home or extending outside Your home such as lines and pipes to outdoor faucets, sprinkler systems and pools.
- Any portion of Your Wastewater Drainage System extending outside Your home.
- Any repair required as a result of any local, city, state or federal agency inspection of Your Water Supply System or Wastewater Drainage System unless otherwise covered under the Program.
- Any damage to the inside of Your home, including personal property, due to a leak in the Water Supply System or backup of the Wastewater Drainage System.
- Repairs to walls, ceilings or any surfaces inside Your home necessary for Our independent contractor to access and repair Your Water Supply System or Wastewater Drainage System.
- Movement of household items necessary to access and repair Your Water Supply System or Wastewater Drainage System, including but not limited to furnishings and storage materials.

• Movement of any inside meters at the time of repair, unless required by local code.

• Movement of any working or non-leaking Water Supply System or working or non-blocked Wastewater Drainage System lines.

• Updating non-leaking Water Supply System or non-blocked Wastewater Drainage System lines to meet code, law or ordinance requirements or changes thereto.

• Any rental dwellings for which Program enrollment is in the tenant's name or any dwellings used for commercial purposes. (Dwelling owners please refer to Contract section entitled "Eligibility for Protection".)

• Any consequential, incidental or special damages You incur, regardless of whether they are caused by Our delays, failure to service (or that of Our contractor) or by conditions beyond Our control. For example, this Program does not cover 1) the cost of any lost water; 2) the cost of cleaning up, repairing or replacing property inside Your home which is damaged due to a leak in the Water Supply System or backup of the Wastewater Drainage System; 3) costs and expenses incidental to a leak in the Water Supply System or backup of the Wastewater Drainage System such as loss of time, loss of use of Your home and other property, costs to stay at a hotel or to rent a home and costs to move and store property outside Your home; 4) any cost or expense relating to the clean-up or remediation of any hazardous substance or pollutant, including but not limited to asbestos, asbestos fibers or products containing asbestos; and 5) damages You incur due to any special circumstances or conditions.

#### J. ADMINISTRATOR'S RIGHTS

We reserve the right to change Your Program Fee and/or the Program terms and conditions with 30 days written notice to You. We reserve the right to transfer or assign Your Program contract.

#### K. CANCELLATION

You may cancel this Program at any time by calling Us toll-free at 1-866-430-0819 or by mailing a cancellation request to American Water Resources, Inc., Attention: Program Administrator, 1410 Discovery Parkway, Alton, Illinois 62002. If You cancel, the effective date of cancellation is the date We receive Your notice. You have 30 days from Your Enrollment Date to cancel and receive a full refund of any Program Fee payments made. If you are 30 days past due on any full payment of Your Program Fee, including the Service Fee, You will not be eligible for any service under the Program and Your Program participation will be subject to cancellation without notice, until all Program Fees owed are paid in full. If Your Program protection has been cancelled due to non-payment, You may re-enroll in the Program with a new Enrollment Date and new Effective Date. We reserve the right to cancel the Program at any time upon 60 days written notice to You. Any refund as a result of the cancellation of the contract by either You or Us, will be determined on a prorated basis less the cost of any repair service performed under the Program. If You are owed a refund, it will be provided to You via the payment method You chose to enroll in the Program.

#### L. PAYMENT METHOD

You may make payment of Your Program Fee to Us by check or, when offered, a direct debit payment taken directly from the bank account You designate. All direct debit payments are governed by the "Terms of Authorization" provided to You. The amount of Your check or direct debit must be for the full Program Fee, including any applicable taxes, unless at the time of enrollment You agreed to pay Your Program Fee under a multi-payment option arrangement. In the event that Your check is returned for Non-Sufficient Funds or Your direct debit is unable to be processed or is not valid for any reason, Your status in the Program will be terminated as of Your Enrollment Date without notice.

You may make payment of Your Program Fee to Us by authorizing a charge to Your credit card account (Visa/MasterCard/Discover only). The charge to Your credit card account must be for the full Program Fee, including any applicable taxes, unless at the time of enrollment You agreed to pay Your Program Fee under a multi-payment option arrangement. For credit card customers only, this Program will be extended automatically for successive one (1) year Terms. You grant Us the right to automatically charge Your credit card each year at the then current Program Fee until We receive Your cancellation request as set forth above in the Contract section entitled "Cancellation". You may cancel the automatic charge to Your credit card and make payment of Your Program Fee by check by mailing a request and Your payment to American Water Resources, Inc., Attention: Program Administrator, 1410 Discovery Parkway, Alton, Illinois 62002. If Your credit card charge is unable to be processed or is not valid for any reason, Your status in the Program will be terminated as of Your Enrollment Date without notice. In the event of Cancellation as provided above, the refund described in the Cancellation paragraph will be credited to Your credit card account.

#### M. TAXES

We will collect any and all appropriate taxes if required by the local municipal government(s), county government or the State of Missouri. These taxes will be collected at the time Your Program Fee is paid. This Program is not currently taxed in the State of Missouri.

#### N. LIMITATION OF LIABILITY

The liability of the Administrator, its affiliated companies, its officers, employees, contractors and/or agents to You, or to any other third party or person, for damages resulting from the provision of, or failure to provide services under this Program, or as the result of any fault, failure, defect or deficiency in any service, labor, material, work or product furnished in connection with this Program shall be limited to an amount not to exceed the maximum amounts per occurrence outlined in the Contract section entitled "Limitation of Protection". In no event, however, shall the Administrator, its affiliated companies, its employees, agents and contractors have any liability for direct, indirect, special, incidental, consequential, (as described above) or punitive (damages to punish Us for any wrongdoing) damages or attorney fees resulting from the provision of or failure to provide service under this Program, or from any fault, failure, defect or deficiency in any service, labor, material, work or product furnished in connection with this Program. These limitations of, and exclusions from, liability shall apply regardless of the nature of the claim or the remedy sought.

The Program is not an insurance contract or policy. The Program provides for the cost to provide Our emergency service to repair leaks or breaks to Your Water Supply System and clear or repair clogs or blockages of Your Wastewater Drainage System under the Program that result from normal wear and usage. This Contract constitutes the entire agreement between Us and You, and there are no other promises or conditions in any other agreement whether written or oral.

MO IHPEP 99/99 TC 0906.1



