

Exhibit No.:

Issue(s): General Info & Misc.

Witness: Randy Hayman

Type of Exhibit: Direct Testimony

Sponsoring Party: Complainant Metropolitan
St. Louis Sewer District

Case No.: WC -2007-0040

Date Testimony Prepared: 1/17/07

1 Question: Please state your full name for the record.

2 Answer: **My name is Randy E. Hayman.**

3 Question: Are you currently employed?

4 Answer: **Yes. I am the General Counsel of the Metropolitan St. Louis Sewer District**

5 **("MSD").**

6 Question: How long have you held the position of General Counsel of MSD?

7 Answer: **Six and a half years.**

8 Question: What is MSD's address?

9 Answer: **2350 Market Street, St. Louis, Missouri 63103.**

10 Question: What is the MSD?

11 Answer: **MSD is a political subdivision of the State of Missouri and municipal**

12 **corporation situated in the City of St. Louis, which provides an integrated**

13 **sewer system for single and multi-family residences and commercial and**

14 **industrial customers throughout the City of St. Louis and most of St. Louis**

15 **County, Missouri.**

16 Question: Does MSD bill its customers for the use of the sewer system maintained by MSD?

17 Answer: **Yes.**

18 Question: How does MSD determine what amount to bill each customer?

19 Answer: **MSD bills its customers based on the amount of each customer's water usage.**

20 Question: How does MSD obtain the water usage data necessary for its billing purposes?

21 Answer: **Under Missouri law, Missouri-American Water Company is required to**

22 **provide such water usage data to MSD or to make such data otherwise**

23 **available to MSD.**

1 Question: In your position as General Counsel of MSD, do you know whether MSD has
2 entered into any agreements with Missouri-American for the provision of water
3 usage data?

4 Answer: Yes.

5 Question: Can you identify MSD Exhibit 1?

6 Answer: Yes. **MSD Exhibit 1 is a copy of an agreement entered into between MSD**
7 **and Missouri-American, on or about February 14, 2002, whereby, in**
8 **exchange for payment, Missouri-American agreed to provide to MSD certain**
9 **St. Louis County water usage and customer identification data, referred to as**
10 **“water usage data,” to be used by MSD in calculating its customers’ billing**
11 **statements. This Agreement is often referred to as the “Water Usage Data**
12 **Agreement.”**

13 Question: Based on your understanding of MSD Exhibit 1, do you know how Missouri-
14 American obtains the customer water usage data, which it agreed to provide to
15 MSD?

16 Answer: **Missouri-American’s water usage data is accumulated through meter**
17 **readings and estimates conducted by Missouri-American for its own billing**
18 **purposes.**

19 Question: Under the terms of the Water Usage Data Agreement marked as MSD Exhibit 1,
20 how much did MSD agree to pay Missouri-American for the water usage data?

21 Answer: **In the Water Usage Data Agreement, the parties agreed that in exchange for**
22 **the water usage data, MSD would pay Missouri-American approximately**
23 **50% of Missouri-American’s cost of obtaining the data, which was set at a**

1 rate of \$0.54 per account read, by tariff, as approved by the Missouri Public
2 Service Commission, effective April 11, 2002.

3 Question: Can you identify MSD Exhibit 1A?

4 Answer: Yes. MSD Exhibit 1A is a true and accurate copy of Missouri-American
5 Tariff Sheet P.S.C. Mo. No. 6, Fourth Revised Sheet No. RT 16.0, reflecting
6 Missouri-American's tariff for the provision of water usage data to MSD, at
7 the rate of \$0.54 per account read, per the terms of the Water Usage Data
8 Agreement.

9 Question: Did the Water Usage Data Agreement contain a termination date?

10 Answer: Yes. Pursuant to paragraph 9 of the Water Usage Data Agreement, the term
11 of the Agreement was from "December 1, 2001, to December 1, 2003, and
12 from year to year thereafter subject to termination by either party at any
13 time on 30 days notice."

14 Question: Is the Water Usage Data Agreement still in effect?

15 Answer: No. The Agreement was terminated as of December 31, 2003.

16 Question: Did you send a letter to Missouri-American regarding the termination of the
17 Agreement?

18 Answer: Yes.

19 Question: Can you identify MSD Exhibit 2?

20 Answer: Yes. MSD Exhibit 2 is a true and accurate copy of the letter that I sent to
21 David Abernathy, Vice President, Corporate Counsel of Missouri-American
22 on September 16, 2003, requesting that the parties commence negotiations

1 **regarding the provision of water usage data to MSD, due to the fact that the**
2 **Water Usage Data Agreement was set to expire on December 31, 2003.**

3 Question: Do you recall whether you received a letter from Missouri-American in response
4 to your September 16, 2003 correspondence?

5 Answer: **Yes, I believe I did.**

6 Question: Can you identify MSD Exhibit 3?

7 Answer: **MSD Exhibit 3 is a copy of a September 24, 2003 letter that I received from**
8 **Mr. Abernathy at Missouri-American in response to my September 16th**
9 **letter.**

10 Question: What does the letter state regarding termination of the Water Usage Data
11 Agreement?

12 Answer: **It states that "this letter shall serve as [Missouri-American's] notice of intent**
13 **to terminate the current water usage data contract between the parties as of**
14 **December 31, 2003 and to express our willingness to negotiate new terms and**
15 **conditions acceptable to the parties."**

16 Question: Have MSD and Missouri-American entered into a new agreement regarding the
17 provision of water usage data to MSD?

18 Answer: **No. The parties have been unable to finalize a new agreement.**

19 Question: Although the parties have not been able to finalize a new water usage data
20 agreement, is MSD still receiving water usage data from Missouri-American?

21 Answer: **Yes. Although the tariff set forth in the Water Usage Data Agreement**
22 **expired on December 31, 2003, when the Agreement terminated, during the**
23 **pendency of the parties' negotiations and this litigation, Missouri-American**

1 has continued to provide MSD with the water usage data and MSD has
2 continued to pay Missouri-American for such data as per the tariff agreed to
3 in the Agreement. MSD has made it clear that its continued payment of the
4 previous tariff amount, has been made subject to and without waiving MSD's
5 right to challenge Missouri-American's imposition of a fee for such data and
6 the amount of the fee.

7 Question: In your opinion, why haven't the parties been able to enter into a new Agreement
8 for the provision of water usage data?

9 Answer: From MSD's perspective, there are several reasons why the parties have not
10 been able to enter into a new Water Usage Data Agreement. First and
11 foremost is the existence of the statute at issue in this litigation. Section
12 249.645.1, RSMo, which authorizes MSD "to establish, make and collect
13 charges for sewage services," requires Missouri-American to provide the
14 water usage data to MSD free of charge or to allow the MSD to review the
15 water meter reading information it requires from Missouri-American
16 without cost, upon reasonable request from the MSD.

17 Question: In light of this statute, why did MSD previously enter into agreements with
18 Missouri-American, under which MSD agreed to pay Missouri-American for the
19 provision of its water usage data?

20 Answer: Although the statute requires Missouri-American to provide such data free
21 of charge, MSD recognizes that this issue has never been considered or
22 resolved by the courts in this State. As a result, MSD has been willing to pay
23 a reasonable fee for the provision of the water usage data in the past instead

1 of pursuing litigation regarding the meaning of Section 249.645.1, RSMo.
2 However, in its most recent negotiations for a new water usage data
3 agreement, Missouri-American has demanded an unreasonably high fee for
4 the provision of water usage data, notwithstanding MSD's request for less
5 information. The unsupported fee increase has left MSD with no choice but
6 to challenge Missouri-American's right to impose a fee and the amount of
7 such fee.

8 Question: Has Missouri-American agreed to provide MSD with its water usage data or to
9 permit MSD to inspect Missouri-American's water meter reading records for St.
10 Louis County customers free of charge?

11 Answer: No.

12 Question: If MSD does not pay the fee required by the Missouri-American, does MSD have
13 any way of calculating its charges for sewer service other than conducting its own
14 water meter readings?

15 Answer: No.

16 Question: After the termination of the last Water Usage Data Agreement between the
17 parties, did MSD ever agree to pay Missouri-American a yearly flat-fee amount of
18 \$760,000.00 for the provision of water usage data?

19 Answer: No. In its last rate proceeding in 2004 (Case No. WR-2003-0500), Missouri-
20 American submitted various tariff sheets to the Commission on April 7, 2004,
21 including Tariff Sheet P.S.C. Mo. No. 6, Fifth Revised Sheet No. RT 16.0,
22 which established a new yearly flat-fee tariff of \$760,000.00 for providing the
23 water usage data and customer billing information to MSD. This tariff sheet

1 was submitted without notice to MSD and MSD had never agreed to the
2 tariff reflected therein.

3 Question: Was MSD a party to Missouri-American's original rate filing in 2004?

4 Answer: **No. In fact, Missouri-American's original filing did not contain any new or**
5 **revised tariffs applicable to the water usage data provided to MSD and,**
6 **because the Water Usage Data Agreement had expired and the parties were**
7 **continuing to negotiate a new agreement, MSD had not participated as a**
8 **party in said rate proceeding.**

9 Question: What happened when MSD learned that Missouri-American had filed a tariff
10 sheet for the provision of water usage data to MSD?

11 Answer: **Upon learning of Missouri-American's actions, MSD filed an Application for**
12 **Rehearing or Reconsideration on April 15, 2004, requesting that the**
13 **Commission reject the new, proposed water usage data tariff. On that date,**
14 **the Commission suspended the proposed tariff, made MSD a party to the**
15 **case and set a hearing on April 19, 2004, for Missouri-American to show**
16 **cause why the proposed tariff should not be rejected.**

17 Question: Does MSD request that the Commission take official notice of the filings
18 submitted by Missouri-American and MSD in Case No. WR-2003-0500, in
19 connection with Missouri-American Tariff Sheet P.S.C. Mo. No. 6, Fifth Revised
20 Sheet No. RT 16.0?

21 Answer: **Yes. In addition, the pertinent filings are also attached to MSD's Complaint**
22 **in this case as Exhibits 4 through 9.**

1 Question: Did you appear at that hearing on April 19, 2004, in Case No. WR-2003-0500,
2 and provide testimony in connection with that hearing?

3 **Answer: I did.**

4 Question: Have you agreed to submit the relevant portions of the transcript from the April
5 19, 2004 hearing as a supplemental exhibit to your prepared direct testimony
6 and/or request that the Commission take official notice of the transcript from that
7 hearing?

8 **Answer: Yes.**

9 Question: Did Missouri-American withdraw its proposed tariff for the provision of water
10 usage data?

11 **Answer: Yes. At the April 19, 2004 hearing, Missouri-American agreed to voluntarily**
12 **withdraw the proposed tariff and engage in good faith negotiations with**
13 **MSD. Missouri-American and MSD agreed to report to the Commission to**
14 **seek guidance on an appropriate resolution if an agreement was not reached**
15 **within ninety (90) days.**

16 Question: Was an agreement ever reached by the parties?

17 **Answer: No. On August 26, 2004, MSD reported to the Commission that Missouri-**
18 **American's approach to the negotiations had left the parties further apart**
19 **than where they were at the time of the April 19th hearing. Although**
20 **Missouri-American subsequently filed a response wherein it denied MSD's**
21 **characterization of its negotiating position, the Commission issued its Order**
22 **Closing the rate case on October 15, 2004, stating that "MSD may file a**

1 **complaint with respect to any current controversy between it and Missouri-**
2 **American.”**

3 Question: What is the relief that MSD is seeking in this proceeding?

4 Answer: **MSD is seeking a declaration of the Commission that Missouri-American’s**
5 **charging of a fee for the water usage data constitutes a violation of Section**
6 **249.645.1, RSMo, and that pursuant to that statute, Missouri-American is**
7 **required to provide the water usage data to MSD free of charge or is**
8 **otherwise required to make its water meter reading information and other**
9 **pertinent records available to MSD at no cost.**

AFFIDAVIT OF RANDY E. HAYMAN

COMES NOW Randy E. Hayman, being first duly sworn upon his oath, who deposes and states as follows:

1. I am over the age of eighteen and I have personal knowledge of the facts that I recite in this Affidavit.

2. The testimony set forth above is true and accurate to the best of my knowledge, information and belief.

RANDY E. HAYMAN
General Counsel
Metropolitan St. Louis Sewer District

[illegible]

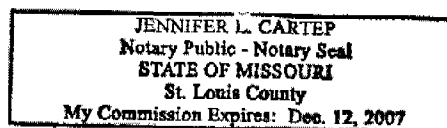
On this 17th day of January in the year 2007, before me, Jennifer L. Carter, a Notary Public in and for said State, personally appeared Randy E. Hayman, known to me to be the person who executed the within Affidavit, and acknowledged to me that he executed the same for the purposes therein stated and that the sworn testimony set forth above is true and accurate to the best of his knowledge, information and belief.

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

Notary Public

My Commission Expires: _____

December 12, 2007



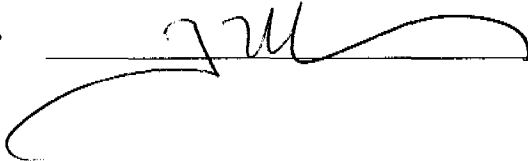
CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the foregoing document was served via electronic submission and/or by U.S. Mail, postage prepaid, this 17th day of January, 2007, upon the following parties/counsel of record:

Kenneth C. Jones
Missouri-American Water Company
727 Craig Road
St. Louis, MO 63141

Lewis R. Mills, Jr.
Public Counsel
Office of the Public Counsel
P. O. Box 2230
Jefferson City, MO 65102

Kevin A. Thompson
General Counsel
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

.  .

AGREEMENT

Agreement made this 14th day of February, 2002, by and between ST. LOUIS COUNTY WATER COMPANY d.b.a. Missouri American Water Company, a Missouri Corporation and public utility subject to the jurisdiction of the Missouri Public Service Commission (hereinafter "Company"), and THE METROPOLITAN ST. LOUIS SEWER DISTRICT, a political subdivision established under the Constitution of the State of Missouri (hereinafter "MSD").

WITNESSETH:

WHEREAS, Company provides metered water service to customers in St. Louis County, Missouri; and

WHEREAS, MSD has need of certain water usage and customer identification information on which to base its billings, which said information is accumulated through meter readings and estimates by the Company for its billing purposes; and

WHEREAS, Company is willing to provide to MSD the information aforesaid in exchange for payment by MSD of a portion of the cost of obtaining meter reading data; and

WHEREAS, The Missouri Public Service Commission (hereinafter "Commission"), per Chapter 393 RSMo 1992 Supp., has jurisdiction over the Company's books and records with the ability to authorize release of the information contained therein; and

WHEREAS, Company and MSD desire to enter into a contract detailing the terms and conditions under which the aforementioned information can be provided by Company to MSD, subject to the approval of related tariff by the Missouri Public Service Commission ("Commission").

NOW, THEREFORE, for and in consideration of the payment of ten dollars from each to the other paid, the receipt of which is herewith acknowledged, and for the other good and valuable considerations herein contained, Company and MSD agree as follows:

1. INFORMATION TO BE PROVIDED. Company will provide MSD with its then current list of customers along with the customer's service address including street, City and unit number if appropriate. Because MSD's customer and Company's customer at a specific address may be different individuals or entities, it will be MSD's responsibility to discern from Company's information the appropriate customer and usage data required for MSD's purposes. Company will provide MSD with Account Change and Premise Change information on a weekly basis. Company will also provide MSD with the Company's monthly meter reading data for each of its customer's daily water usage, which is determined quarterly or monthly in the Company's ordinary course of business through meter readings or lawful estimates. Each customer's daily water usage will be ascertained from meter readings obtained by some combination of either actual readings by Company's personnel, postcard readings mailed in from customers, telephone readings called in from customers, or estimated readings including prorated and "set" readings when the foregoing are unavailable. Data will be from approximately a ninety (90) day period for quarterly billed customers and during approximately a thirty (30) day period for monthly billed customers of a given year. Company will inform MSD as to which customers' meter reading data represent actual or estimated usage and which premises are vacant during this period. MSD is CAUTIONED that estimates which the Company must make when actual meter readings are unavailable may distort actual usage during any specific period, and that this inaccuracy can be significant both when the estimates are used for the usage calculation and when actual readings correct for previous inaccurate estimates and thus include usage from a prior period. While Company's estimating procedure is self-correcting with continued billing in successive periods, sewer bills based on data from an isolated period affected by estimates will probably not reflect accurate water usage in that particular period. Accordingly, to the extent allowed by law, MSD agrees to indemnify, defend and hold Company harmless from any and all claims that sewer bills are based on data, which does not reflect actual usage during any specific period provided said data was not purposely falsified or the result of gross negligence on the part of the company.

2. INFORMATION DUE DATES.

Company will provide MSD with a monthly compilation of all customer meter reading data within the period limitations described in Paragraph 1, or at about the first working day of the following month, commencing December 1, 2001, subject to the conditions of paragraph 6 herein.

3. INAPPLICABLE PSC NOTICE REQUIREMENTS.

All notice and complaint procedures specified in 4 CSR 240, and Chapter's 386 and 393 RSMo which apply to customer rights to utility service from a regulated utility, SHALL NOT APPLY to actions or inactions by Company pursuant to the Agreement or the Company's election to enter into this Agreement. All notice, complaint procedures and administrative consumer remedies, to the extent that they may exist or be alleged to exist shall be the responsibility of MSD.

4. FEES. The price to be charged to MSD by Company for providing the aforementioned information shall approximate 50% of Company's cost of obtaining the necessary data and shall be set by rate tariff attached hereto as Exhibit "A", which must be approved by the Commission. The charges shall be submitted to the Commission and shall be subject to the Commission's approval or change from time to time in accordance with the provisions of Chapters 386 and 393 RSMo 1992 Supp. Beginning November 1, 2001, and every month thereafter, upon implementation of the Company's new ORCOM system, Company will bill MSD for the previous month's cost for work under the tariff approved rates, and MSD will pay Company within 30 days from receipt of such billing. From time to time additional costs may be incurred by Company, which may be specifically authorized by MSD on a case by case basis, and the Company will be reimbursed by MSD for such costs if said authorization is obtained. If MSD shall fail or refuse to pay amounts due, Company's obligations to deliver data under this Agreement shall cease until such amounts are paid in full, but MSD shall nevertheless be required to pay continuing tariffs costs of accumulating the meter readings as described herein for the term of this agreement.

5. INDEMNIFICATION. To the extent allowed by law, MSD agrees to indemnify, defend and hold Company harmless from and against any and all claims, complaints or causes of actions arising out of the actions or inactions by Company pursuant to the terms of this Agreement or the Company's election to enter into this Agreement.

6. PUBLIC SERVICE COMMISSION APPROVAL. The tariff related to this agreement shall be subject to approval of the Commission and the implementation of the Company's new ORCOM system. The parties agree to accept changes in charges set from time to time by the Commission. If any other aspect of this Agreement or the related tariff are objected to, rejected or modified by the Commission, the Company and MSD shall have the option to declare this Agreement void, with the exception of the indemnification requirements which shall survive with respect to any and all actions theretofore taken pursuant to this Agreement during the time it was in force and effect.

7. CUSTOMER COMMUNICATIONS. MSD shall handle all customer communications regarding the implementation of this Agreement or any actions that have been taken pursuant to this Agreement. Communications from customers to Company regarding MSD billings will be referred and directed to MSD, but the Company will respond to reasonable requests for information from MSD to company to assist MSD in its customer relations.

8. FORCE MAJEURE AND CONFLICTING REQUIREMENTS. Company's actions required under this Agreement shall be excused if due to matters beyond its control, including but not limited to employee work stoppages, strikes, inclement weather, or emergencies requiring utilization of manpower or resources elsewhere. The aforementioned information will cease to be provided if a court of competent jurisdiction or other governmental entity having jurisdiction issues an order to the Company so requiring. At such time, Company will relay such order to MSD, and Company will not knowingly take further actions toward providing said information until MSD notifies Company in writing that it has resolved the matter, or that MSD requests that Company nevertheless proceed subject to the indemnification herein.

contained. Thereafter, MSD shall to the extent allowed by law indemnify defend and hold Company harmless for actions taken by Company based on MSD's notification or request.

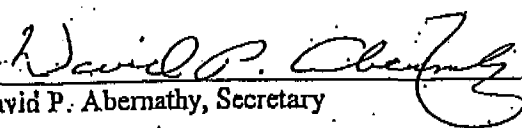
9. EXPIRATION OR TERMINATION. This Agreement shall be for a term of two years from December 1, 2001, to December 1, 2003, and from year to year thereafter subject to termination by either party at any time on 30 days written notice.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate on the day and year first above written.

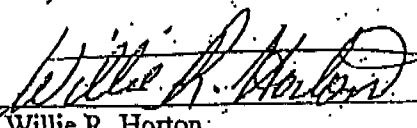
ST. LOUIS COUNTY WATER COMPANY
d.b.a. Missouri-American Water Company
("Company")

By: 
Eric W. Thornburg, President

ATTEST:


David P. Abernathy, Secretary

METROPOLITAN ST. LOUIS
SEWER DISTRICT
("MSD")

By: 
Willie R. Horton
Executive Director

ATTEST:

Karl J. Tyminski
Karl J. Tyminski
Secretary-Treasurer

Approved as to Legal Form

Randy E. Hayman
Randy E. Hayman
General Counsel

STATE OF MISSOURI)
) SS
County of St. Louis)

On the 4th day of March, 2002, before me appeared Eric Thornburg
to me personally known, who being my me duly sworn, did say that he is the
President of St. Louis County Water Company d.b.a. Missouri-American Water Company and that the
seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument
was signed and sealed in behalf of said corporation by authority of its Board of Directors and said
Eric Thornburg acknowledged said instrument to be the free act and deed
of said corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in my
office in the County of St. Louis, Missouri, the day and year first above written.

My Commission Expires 3-20-05

STACI A. OLSEN
Notary Public - Notary Seal
STATE OF MISSOURI
St. Charles County
My Commission Expires: Mar. 20, 2005

Staci A. Olsen
Notary Public

STATE OF MISSOURI)

County of St. Louis)

SS

On the 14TH day of FEBRUARY 2002, before me appeared WILLIE R. HORTON,
to me personally known, who being by me duly sworn, did say that he is the _____
Executive Director of Metropolitan St. Louis Sewer District and that the seal affixed to the foregoing
instrument is the seal of Metropolitan St. Louis Sewer District and that said instrument was signed and
sealed in behalf of Metropolitan St. Louis Sewer District by authority of its Board of Trustees and said
WILLIE R. HORTON acknowledged said instrument to be the free act and deed
of Metropolitan St. Louis Sewer District.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in my
office in the CITY of ST. LOUIS, Missouri, the day and year first above
written.

My Commission Expires _____



ANTHONY E. CASSIMATIS
NOTARY PUBLIC - STATE OF MISSOURI
ST. LOUIS COUNTY
MY COMMISSION EXPIRES DEC. 8, 2008

Anthony E. Cassimatis
Notary Public

ST. LOUIS COUNTY WATER COMPANY d/b/a
MISSOURI-AMERICAN WATER COMPANY

For Service in Certificated Areas in St. Louis
And Jefferson Counties

ST. LOUIS COUNT WATER COMPANY
FOR
ST. LOUIS COUNTY, MISSOURI AND JEFFERSON COUNTY, MISSOURI

Availability: This rate is available to The Metropolitan St. Louis Sewer District, for all water usage meter +
reading data and customer billing information.

REC'D MAR 11 2002

Service Commission +

This rate is available to the Metropolitan St. Louis Sewer District, under the terms and conditions of the
contract on file with the Missouri Public Service Commission.

Payment Terms: Bills are net, and are due and payable within ten (10) days after date of bill.

- (1) Exclusive of every tax or payment imposed upon the Company by political subdivision of the State of
Missouri, for the right to do business in such political subdivision. See P.S.C. No No. 6 Original Sheet
No. RT 11.0.

MSD Exhibit 1A

Missouri Public

FILED APR 11 2002

02-431

Service Commission

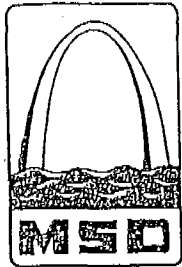
*Indicates new rate or text

+Indicates change

DATE OF ISSUE March 11, 2002 DATE EFFECTIVE April 11, 2002

ISSUED BY D.P. Abernathy,
V. P., Corporate Counsel 535 N. New Ballas Road
St. Louis, MO 63141

EXHIBIT A



Metropolitan
St. Louis Sewer
District

2350 Market Street
St. Louis, MO 63103-2555
(314) 768-6200

September 16, 2003

Mr. David Abernathy
Vice President, Corporate Counsel
Missouri-American Water Company
535 N. New Ballas Road
St. Louis, Missouri 63141

Dear David:

The Metropolitan St. Louis Sewer District ("MSD") currently has an agreement with Missouri American Water ("MO-AM") whereby MO-AM provides MSD with customer and water usage data so that it may effectively bill County of St. Louis customers for sewer services.

This agreement expires as of December 31, 2003. Consequently, I hereby respectfully request renegotiation discussions between both parties commence as soon as possible.

I may be reached at 314-768-6209 and look forward to working with you on this matter.

Sincerely,

Randy E. Hayman
General Counsel

C: Chuck Etwert, MSD Acting Executive Director
Jeff Theerman, MSD Director of Operations
Janice M. Zimmerman, MSD Director of Finance/CFO
Linda Grady, MSD Attorney II
Theresa Bellville, MSD Assistant Director of Finance
Kathy Ahillen, MSD Billing & Customer Service Manager

MSD Exhibit 2

David P. Abernathy
Vice President, General Counsel
and Secretary

Mr. Randy E. Hayman

General Counsel
Metropolitan St. Louis Sewer District
2350 Market Street
St. Louis, MO 63103-2555

24 September 2003

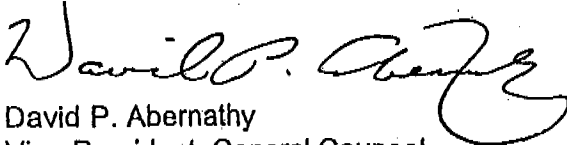
RE: Water Data Usage Contract between Metropolitan St. Louis Sewer
District ("MSD") and Missouri American Water ("MAW")

Dear Randy:

I am in receipt of your letter of September 16, 2003 in regard to the above-mentioned contract in which MSD expresses a desire to terminate the same via modification of the terms contained therein. As we discussed, MAW is also desirous of negotiating new contract terms to allow for the continued availability of our water usage and customer information data to MSD. Consequently, this letter shall serve as MAW's notice of intent to terminate the current water usage data contract between the parties as of December 31, 2003 and to express our willingness to negotiate new terms and conditions acceptable to the parties.

I will contact you shortly to arrange for meeting times and/or discussions on these issues. I thank you in advance for your assistance and interest in assisting with this matter. Please feel free to contact me should you have any questions or concerns.

Sincerely,



David P. Abernathy
Vice President, General Counsel
& Secretary

Enclosures

cc: Eric Thornburg
Jim Jenkins
Ed Grubb

American Water
535 N. New Ballas Road
St. Louis, MO 63141-6875
USA
T +1 314 996 2276
F +1 314 997 2451
E dabernathy@mawc.com
I www.amwater.com

MSD Exhibit 3