

DATA REQUEST : DEAN RICH

DR-1.6

Please provide a copy of all written and electronic documents, including reports, drawings, draft contracts, executed contracts, memoranda, notes and letters, regarding the agreement of St. Louis to sell water to O'Fallon from 35 cents to 75 cents per thousand gallons depending on the delivery point, asserted in lines 4-6, page 5, O'Fallon Ex. 2.0.

ILL. S. & M. COUNTY CO. OFFICIAL FILE
1/20/03
Date 5-2-03
02-0640
02-1
LP

Dean Rich
Director of Finance
City of O'Fallon
618 624-4500 ext. 1110



A Jacobs Company

Sverdrup Civil, Inc.
Central Region Environmental

Meeting Memorandum

To: Distribution

From: Vicki LaRose

Subject: City of O'Fallon, Illinois
Alternative Water Supply Project
Meeting with City of St. Louis Water Division

A project meeting was held for the above referenced project on March 15, 2001, at St. Louis Water Division (Water Division), 1640 South Kingshighway. The following individuals were in attendance:

<u>Sverdrup Civil, Inc.</u>	<u>City of O'Fallon</u>	<u>City of St. Louis Water Division</u>
Thomas J. Meinhart	M. Huq	Tom Rothermich
Vicki S. LaRose	Sid LeGrand	Dave Visintainer
	Dean Rich	James Kummer

The following items were discussed during the project meeting:

Introductions & Project Overview

- ▶ Project personnel were introduced and a project overview was presented by Sverdrup personnel.

Availability of Supply and Pressure Range

- ▶ Water Division personnel stated that the capacity for the Chain of Rocks Water Treatment Plant (CORWTP) is 240 mgd and 100 mgd for the Howard Bend Water Treatment Plant.
- ▶ The Water Division provided the attached worksheet, which contains the normal operating, pressure ranges for the High and Low-Pressure systems of the Water Division's existing distribution system.
- ▶ A pumping station is presently being designed which will allow the Water Division to feed the Stacy Park Reservoir from the CORWTP.
- ▶ There are three 78-inch conduits leaving Chain of Rocks from Chain of Rock to Calvary and two 78-inch from Calvary to Bissell Point and one 60-inch laid in abandon brick conduit.

MEETING MEMORANDUM

March 15, 2001

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Monitoring and Control Requirements

- ▶ The Water Division will require a metering structure with turbine flow meters and electrically actuated isolation valves to be provided at the point of connection with the Water Division's existing distribution system.
- ▶ Water Division personnel stated that check valves may be required at the metering structure in order to prevent a backflow condition. This issue will be discussed further if the project proceeds to the design phase.

Potential Water Connection Points

- Water Division personnel stated that the optimal point of connection with the Water Division's existing distribution system is between Bissell Point and the CORWTP. This area of the distribution system can be supplied by either the CORWTP or the Howard Bend Water Treatment Plant.
- ▶ The Water Division provided the attached worksheet, which contains a list of the potential connection points with the Water Division's existing distribution system.
- ▶ Water Division personnel provided a drawing, which included the major components of the Water Division's existing water distribution system.
- ▶ The connection point with the Water Division's distribution system will be dependent upon the transmission main route which is selected to convey the water from the CORWTP to the City of O'Fallon's water distribution system. The proposed connection point will be identified during the conceptual design phase of the Alternative Water Supply Study project.

Estimated Wholesale Water Costs

- ▶ Water Division personnel described the process which is used to determine the cost of wholesale water. The cost of water to the City of O'Fallon will be the audited cost plus the cost of service. If the connection with the Water Division's distribution system is located near the CORWTP, the estimated cost will be approximately \$.39 per 1000 gallons for 2001 customers. Otherwise the costs are anticipated to range up to approximately \$.66 per 1000 gallons, depending upon the location of the connection. The Water Division is projecting a \$.01 per 1,000 gallon increase for next year.
- ▶ The rate of return figure, which is used by the Water Division, includes a 6% gross receipts tax.
- ▶ Water Division personnel stated that they have entered into contracts for wholesale water for 30 years with four 10-year extensions. This would be discussed further, should the project proceed to the final design phase. It is anticipated that the proposed contract between the Water Division and the City of O'Fallon will include an assignment and kick-out clause.

MEETING MEMORANDUM

March 15, 2001

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Potential Partnering/Cost Sharing

- ▶ Sverdrup stated that the Alternative Water Supply Study is scheduled for completion in the Fall of 2001. The City of O'Fallon expects to make a decision after receipt of the study regarding the feasibility of purchasing water from the Water Division.
- Water Division personnel stated that potential partnering with the City of O'Fallon may be difficult, however it is not out of the realm of possibilities. The probability of partnering may increase as the quantity of water which is purchased increases.
- ▶ The Water Division would prefer to bill one principal party who will be responsible for billing the other communities/entities. At the present time, the Water Division does not desire to own any infrastructure outside the City of St. Louis limits.
- ▶ At the present time, the City of O'Fallon's average daily demand is approximately 4 mgd, with an estimated peak daily demand of 8 mgd.
- ▶ The City of O'Fallon is presently served by Illinois Power and Ameren UE.
- ▶ The Water Division stated the City of O'Fallon would be a good fit with their system because the Water Division's peak demands occur during the day whereas the City of O'Fallon's peak demands typically occur during the evening and on weekends.
- Water Division personnel stated that with the current administration, they do not believe that there is a potential for privatization of the City's water system.

Action Items:

The following action items were identified during the course of the meeting:

1. The Water Commissioner will prepare a letter which states the Water Division's willingness to sell water to City of O'Fallon.
2. The Water Division extended an invitation to the City of O'Fallon personnel to tour the City's treatment facilities.

These minutes represent Sverdrup Civil, Inc.'s interpretations of the issues discussed. Should any errors, omissions, or clarifications be identified, please notify the originator as soon as possible.

Distribution List

All attendees

C5X56400-Corrspondence



CLARENCE HARMON
MAYOR

City of Saint Louis
DEPARTMENT OF PUBLIC UTILITIES
— WATER DIVISION —

Office of the Water Commissioner
1640 So. Kingshighway Blvd.
Saint Louis, Missouri 63110
(314) 664-7899
Fax: (314) 771-8762



American Water Works
Association MEMBER
DAVID A. VISINTAINER, P.E.
WATER COMMISSIONER

May 26, 1998

Mr. Sidney W. LeGrand, P.E.
City Engineer
City of O'Fallon
City Hall
255 South Lincoln
O'Fallon, Illinois 62269

RE: Request for Information on Wholesale
Water Contracts

Dear Mr. LeGrand:

I was pleased to learn of your interest in purchasing water from the City of St. Louis Water Division. Our current wholesale contracts are based on the cost of water production plus a return on investment to the Water Division. We anticipate that any contract with the City of O'Fallon would follow that model. We would be happy to discuss the feasibility of this project and what your future water requirements might be. Please call me at 314-664-7899 ext. 412 or Mr. James Kummer, Fiscal Manager at ext. 100, so that we may set an appointment to initiate discussions.

Sincerely,

David A. Visintainer
Water Commissioner

cc: file

MEETING LOG



255 South Lincoln
O'Fallon, IL 62269

City Hall (618) 624-4500
Fax (618) 624-4534

- ✓ Mayor cc done ^{HO} _{11/10}
- Downs _____
- Erwin _____
- Evans _____
- ✓ Hug ✓
- LeGrand _____
- ✓ Miles cc done
- Milligan _____
- Slazinik _____
- ✓ Rich cc done

Date: 11/10/98 Time: 9:00 am File: _____

Project: Water Supply Source

Subject: Potential Water Source

Attendees: David Visintainer - St. Louis City Water Comm.

James Kummer - St. Louis City Water Fin. Mgr.

Dean Rich, Sid LeGrand - O'Fallon

Discussion: We met today with representatives of the City of St. Louis Water Division. Mr. Visintainer briefly described their water system and gave us a brochure on their company. They also gave us a map of the general St. Louis Water System network. They stated that the lowest cost for water would be for us to connect to their Chain of Rocks Water Plant. Water there would cost \$0.35 ± per k-gal. The next best place to connect would be at Bissell's Point near the Merchant's Bridge. Water there would cost \$0.60 ± per k-gal. The cost is higher there because we would be paying for part of the distribution line in St. Louis. They presently meet all IEPA regulations for water quality and are governed by MO DNR. They said they'd be willing to meet IEPA req'ts at the delivery point and would structure a contract similar to Columbia, IL.

Follow-Up Action: _____

Copy: _____

Attach: _____

By: _____



255 South Lincoln
O'Fallon, IL 62269

City Hall (618) 624-4500
Fax (618) 624-4534

- Mayor _____
- Downs _____
- Erwin _____
- Evans _____
- Huq _____
- LeGrand _____
- Miles _____
- Milligan _____
- Slazinik _____

Date: 11/20/98 Time: 9:00am File: _____
 Project: Water Supply Source
 Subject: _____
 Attendees: _____

Discussion: They are presently serving St. Peters and St. Charles and have no problems with peaks. They have heavy industrial water users during the day, so the residential use peaks work well with their system. They have a continuous capital improvement program, so they don't expect costs to be excessive in any one year. They have 2 plants and both plants were elevated 4-6 ft. above the record flood elevation of 1993. In addition, they've added plant modifications since 1993 for further protection from floods.

We indicated that we are meeting with other municipalities to determine interest in developing a partnership. Upon ascertaining interest there, the next step would be to seek preliminary engineering data to examine the overall feasibility.

Follow-Up Action: Meet w/ E. St. Louis.

Copy: _____

Attach: _____

By: Lidya M. LeGrand

sum

*File - St. Louis Water
Feasibility Study*

Certificate of Publication

STATE OF ILLINOIS)
)ss
COUNTY OF ST. CLAIR)

hereby certifies that the publisher of

O'FALLON PROGRESS

a public and secular newspaper of general circulation that has been published weekly in the City of O'Fallon, County of St. Clair and State of Illinois for at least a year prior to day of first insertion of the notice mentioned.

"It is further certified that said newspaper is a newspaper as defined in 'an Act to revise the law in relation to notices' as amended by Act approved July 17, 1959 - Ill. Revised Statutes. Chap. 100. Para. 1 & 5."

Notice of which the annexed is a true printed copy has been regularly published in said newspaper published on the 20th day of JAN A.D. 2000.

And further certifies that the face of the type in which each publication of said notice was made was the same as the body type used in the classified advertising in the issue of said newspaper in which said publication was made.

Dated this 20th day of

JAN A.D. 2000

Stephen J. Scott Publisher.

Publisher's Fees \$ 65.00

PUBLIC NOTICE

The O'Fallon Water Department is undertaking an engineering study to assess the feasibility of an alternative wholesale-for-retail water supplier. O'Fallon presently purchases potable water wholesale from the Illinois American Water Company and distributes it on a retail basis to its customers in O'Fallon and Fairview Heights. The present customer base consists of approximately 14,000 customers with a residential population of about 38,000. Present water usage averages 4.0 mgd with peaks near 8.0 mgd. Preliminary discussions with the St. Louis Water Company have indicated an interest in supplying water to the O'Fallon Water Department. Portable water production capacity far in excess of O'Fallon's needs has been identified. Early indications are that the wholesale water cost from St. Louis would also be significantly less than rates from the present supplier.

The engineering study would address the following objectives:

1. Coordinate further with the St. Louis Water Company.
2. Contact other area water departments to ascertain their interest in establishing a partnership in his venture.
3. Identify the optimal corridor for a water transmission line from St. Louis Water Company to the O'Fallon water system.
4. Provide preliminary project cost estimates, funding options and other data necessary to establish a full financial analysis.
5. Provide other information necessary to establish the feasibility of this venture.

The O'Fallon Water Department desires the services of a qualified consulting engineering firm to perform this feasibility study. Engineering firms desiring to submit a proposal should outline their unique qualifications to do this work. Proposals should include the following information:

- Company history, size and location of the office where the work will be performed.
- Staffing schedule indicating key personnel to be assigned to the various tasks.
- Resumes of key personnel and their experience related to the above items.
- Personal references from past projects of similar size and scope.
- Proven history of successful working relationships with the City of St. Louis including present status.
- Familiarity with the St. Louis water system and their engineering requirements.
- Familiarity with Illinois IEPA requirements for water systems and a proven history of successful projects in Illinois.

Firms answering this RFQ should structure their proposals so that each of the items above are fully and completely addressed.

Professional Engineering Qualifications will be accepted no later than 5:00 p.m. on February 18, 2000. The City will conduct interviews of the three highest ranked firms based on the qualification information submitted. Award of the contract is expected to occur in April 2000. Questions regarding this RFQ should be directed to the City of O'Fallon Engineering Department.

CITY OF O'FALLON
Benjamin Hamm
City Clerk
(1-20-11)



FRANCIS G. SLAY
MAYOR

City of Saint Louis
DEPARTMENT OF PUBLIC UTILITIES
— WATER DIVISION —

Office of the Water Commissioner
1640 So. Kingshighway Blvd.
Saint Louis, Missouri 63110
(314) 664-7899
Fax: (314) 664-6786



DAVID A. VISINTAINER, P.E.
WATER COMMISSIONER

October 10, 2001

Mr. Tom Meinhart
Sverdrup Civil, Inc.
13723 Riverport Drive
Maryland Heights, MO 63043

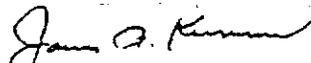
RE: Wholesale Water Contract

Dear Mr. Meinhart:

Enclosed is a copy of the wholesale water contract between the City of St. Louis and the Public Water Supply District No. 2 of St. Charles County. Each of our wholesale contracts follows a similar structure. Please note that water supplied under this contract is from our Howard Bend Plant. There would necessarily be changes in wording and pricing (see appendix B) under a new contract.

If you have any questions, please give me a call at 314-664-8070 x100.

Sincerely,


James A. Kummer
Fiscal Manager

cc: D. Visintainer

CONTRACT

This Contract made and entered into this 18th day of July, 1996, by and between the City of St. Louis, Missouri, a municipal corporation, also referred to as "CITY", and the Public Water Supply District No. 2 of St. Charles County, Missouri, a political corporation of the State of Missouri, also referred to herein as "DISTRICT", witnesseth:

WHEREAS, the CITY is a municipal corporation of the State of Missouri and is authorized by its charter to maintain waterworks for the furnishing of water to the CITY, its property, its inhabitants and the places and people along or in the vicinity of the pipes, conduits and aqueducts constructed or used for those purposes, and

WHEREAS, District is a political corporation of the State of Missouri and authorized by statute to provide water service, and

WHEREAS, in the spirit of regional cooperation, coordination between the City of St. Louis and the Public Water Supply District No. 2 of St. Charles County, Missouri will be mutually beneficial to all parties, while improving the viability of the St. Louis Region.

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NOW THEREFORE, it is mutually agreed:

ITEM 1. NATURE OF SERVICE

CITY agrees to furnish and sell and DISTRICT agrees to purchase water as needed at an interconnecting point as defined in Item 4.

CITY agrees to exercise reasonable diligence and foresight to repair, replace and maintain its water system so as to provide the flow of water as defined in Item 5 herein at the point of the DISTRICT'S interconnection during the life of this Contract. CITY also agrees that supply of water to DISTRICT shall be reduced only in proportion to the extent water supply to CITY customers is, at that time, inadequate and curtailed. DISTRICT further recognizes and agrees that no liability for damages are attached to the CITY hereunder on account of an actual failure of supply due to Acts of God or other occurrences beyond the reasonable control of the CITY.

ITEM 2. PRICING

DISTRICT agrees to pay for water at a rate based on the CITY'S annual cost of production, as defined in Appendix A, attached hereto and made a part of this CONTRACT, at the CITY of St. Louis' Howard Bend Water Treatment Plant, plus the cost of operation and maintenance of the Stacy Park Reservoir, and interconnecting conduits, as verified by the CITY'S independent audit. In addition, the rate shall include a component for depreciation of existing Plant and future capital investments, when made by the CITY on these facilities, plus eighteen percent (18%) for margin above cost. All audits shall be in accordance with the accounting

principles set forth in Appendix A, attached hereto and made a part of this Contract. Costs shall be determined in accordance with Appendix B each fiscal year by the CITY'S Water Division, based on the number of gallons of water actually produced and the expenses incurred at Howard Bend during that given year. In calculating these costs, should the percent of pumping for the year at Howard Bend be less than thirty-three percent (33%) of the total pumpage from the CITY'S two treatment facilities, then the value of thirty-three percent (33%) of the total CITY pumpage shall be used in lieu of actual Howard Bend filtered water pumpage in Appendix B, Paragraph VIII, "Total Cost for Howard Bend Water Sales." These costs shall be the basis for determining the rate DISTRICT will pay during the following calendar year. The applicable rate to be paid by DISTRICT shall be \$0.4305 per 1,000 gallons through December 31, 1996.

DISTRICT shall have the right to conduct its own independent audit of the above costs at its own expense. In the event of a dispute between CITY and DISTRICT, concerning audit results and/or the development of water pricing as described herein, the adjudication of such dispute shall be as defined in ITEM 9.

Change in State or Federal law, or State or Federal regulatory action may be grounds for renegotiation of factors shown in Appendices A and B. Failure to agree upon impacts of such changes shall be adjudicated as defined in ITEM 9.

ITEM 3. PAYMENT

DISTRICT agrees to pay the CITY on a monthly basis (i.e., Billing Month) for all purchases of water under this CONTRACT. All purchases shall be billed monthly, within fifteen (15) days after rendition of service, and all such bills shall be due and payable without discount within thirty (30) days after date of bill. Should any bill remain unpaid for a period of thirty (30) days after written notice by the CITY to DISTRICT that the same is past due, and failure of DISTRICT to make such payment within the period of such notice, then the CITY may, at its option and upon ten (10) days written notice to DISTRICT discontinue all service to DISTRICT and all bills then delinquent shall carry interest at the rate of ten percent (10%) per annum from the date due. Should a billing dispute arise between DISTRICT and CITY, CITY agrees that it will not discontinue service during the period of good faith discussions and during any period in which DISTRICT disputes said billing before an administrative or judicial body.

ITEM 4. CONNECTIONS AND METERING

A. Point of Interconnection - Water to be supplied hereunder by the CITY to DISTRICT shall be supplied on CITY'S land, at a point of connection on the CITY'S Howard Bend Plant property or on the CITY'S treated water conduits between the Howard Bend Water Treatment Plant and the Stacy Park Reservoir. In order to permit said delivery:

1. CITY agrees at its own cost and expense to furnish, install and maintain all necessary meters to be

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located in facilities to be constructed by DISTRICT at DISTRICT's sole cost and expense. DISTRICT has the right at all times to test the meter which registers the amount of water for which the CITY will bill DISTRICT. Should said meter test show that said meter is recording with less than ninety-eight percent (98%) accuracy (higher or lower), an adjustment shall be made to the billings to the DISTRICT for the prior one-year period to either credit or debit the next billing to the DISTRICT by the amount of the over or underbilling.

2. CITY shall grant to DISTRICT such easements on City property as DISTRICT and CITY mutually agree are necessary to construct the facilities required for interconnection. Granting of said easement by CITY shall not be unreasonably withheld.

3. DISTRICT agrees, at its own cost and expense, to furnish and install all pipe, valves, fittings, meter pits, pump station and appurtenances necessary to connect its water distribution system with said connection point on the CITY'S system.

All pipe, valves, fittings, meter pit, pump station and appurtenances which are paid for and installed by the DISTRICT shall be owned and maintained by the DISTRICT. CITY shall have the right to operate such valves as necessary to maintain meters and will assume operating and improvement responsibility for the

isolation valves at the point of interconnection with the CITY conduits. CITY may install such equipment as needed to obtain continuous information on flows and pressures.

All pipe, valves, fittings and appurtenances installed on CITY property shall be designed and constructed in accordance with recognized water works industry standards. CITY shall have the right to review and approve all plans and specifications of the pipe, valves, fittings, meter pit, pump station and appurtenances which DISTRICT proposes to install on CITY property. In addition, all work or construction performed or undertaken by DISTRICT on CITY property shall be subject to the supervision and approval of the Water Commissioner of the CITY.

ITEM 5. QUANTITY AND QUALITY OF WATER

1. The CITY agrees to sell water to DISTRICT as DISTRICT desires to purchase in such quantities as DISTRICT requires.
2. Water supplied by the CITY to DISTRICT shall meet the treated water quality standards of the Missouri Department of Natural Resources and/or United States Environmental Protection Agency, or such other successor agency.
3. Water will be supplied by CITY to DISTRICT at the pressure residual at the point of interconnection to the CITY's metering. Pressure at the point of interconnection shall be maintained at 109 psi, minimum, as measured in the discharge headers at the Howard Bend

Plant.

ITEM 6. COMMUNICATION BETWEEN CITY AND DISTRICT

In order to assure the DISTRICT has adequate information relative to the operation of the CITY'S Water Division, as a minimum the following documents shall be provided to the DISTRICT.

- 1. A portion of the Annual Audit concerning Howard Bend and Stacy Park operations;
- 2. A portion of the Annual Audit concerning Supply and Purifying allocated management, Power and Pumping allocated management, and Administrative and Finance Cost allocated to Supply and Purification and Power and Pumping.
- 3. Monthly operating reports consisting of all reports submitted to the State of Missouri Department of Natural Resources and which relate to finished water quality; and
- 4. Other pertinent documents as mutually agreed.

ITEM 7. EFFECTIVE DATE OF CONTRACT

This Contract for the sale of water, subject to ITEM 8, shall be in full force and effect for a period of thirty (30) years from and after its date of execution. DISTRICT, in the event the CITY does not give notice as provided in ITEM 8.1 to terminate this Contract, shall thereafter have successive options of extending this Contract for four additional periods of ten (10) years each from the end of the above period, upon six (6) months prior notice to the CITY.

ITEM 8. TERMINATION

1. CITY has the right and option to cancel and terminate this Contract upon expiration and thereafter all rights and obligations hereunder shall cease, provided, CITY provides DISTRICT three (3) or more years notice of such decision to cancel and terminate upon expiration.
2. DISTRICT has the right and option, upon one (1) or more years written notice to the CITY, to cancel and terminate this Contract, and thereafter all rights and obligations hereunder, other than easement rights conveyed by separate instruments, shall cease.

ITEM 9. THIRD PARTY AUDIT

In the event of disagreement concerning audit results, and/or the calculations necessary for ITEM 2, the parties agree to submit the matter to binding determination to a mutually agreed upon "Big Six" accounting firm not previously engaged in the audit. In the event of inability to mutually agree on any such firm, said firm shall be selected by lot from each party's single nominee.

ITEM 10. DISPUTES OR CLAIMS

It is expressly understood between the parties that any disputes or claims arising out of this Contract, other than described in ITEM 9, resulting in a cause or causes of action, shall only be brought in the Missouri Circuit Court, Twenty-Second Judicial Circuit, the City of St. Louis.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed by their duly authorized officers as of the

day and year first above written.

IN WITNESS WHEREOF, the parties hereunto have executed this Agreement as of the day and year first above written.

CITY OF ST. LOUIS, MISSOURI

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

BY: *[Signature]*
Mayor

BY: *Dale R. Heining*
Dale R. Heining, President

BY: *Darlene Green*
Comptroller

Approved as to form:

(Seal)

ATTEST:

BY: *Jane A. [Signature]*, 7/10/96
City Counselor

BY: *Marion Buenemann*
Marion Buenemann, Clerk

(Seal)

ATTEST:

BY: *Gladys Gray*
City Register

APPENDIX A

SUMMARY OF ACCOUNTING POLICES

I. Revenues and expenses of the St. Louis City Water Division must be reported in accordance with generally accepted accounting principles.

II. Direct costs to be included:

A. Direct costs of Supply and Purification at the Howard Bend Plant to be summarized as follows:

1. Labor - Actual wages and fringes associated with employees working full-time at the Howard Bend Plant.
2. Support Services - Actual Water Division costs for services provided directly to Supply and Purification at the Howard Bend Plant.
3. Chemicals - Actual costs of chemicals utilized at the Howard Bend Plant.
4. Other Materials and Services - Actual cost of materials and services utilized at the Howard Bend Plant.

B. Direct costs of Power and Pumping Section at the Howard Bend Plant to be summarized as follows:

1. Labor - Actual wages and fringes associated with employees working full-time at the Howard Bend Plant.
2. Support Services - Actual Water Division costs for services provided directly to power and pumping at the Howard Bend Plant.

- 3. Power - Cost of power for actual pumping at the Howard Bend Plant.
- 4. Other Materials and Services - Actual cost for materials and services utilized at the Howard Bend Plant.

C. Depreciation of Howard Bend Facilities and Stacy Reservoir Facilities - Amount should be equal to the actual amounts recorded in the accounting records of the Water Division for these facilities. Depreciation will be calculated under the straight line method utilizing the following useful lives:

- 1. Building and Improvements - Fifty (50) years.
- 2. Pumping equipment - Thirty-three (33) years.

III. Allocated Costs to be included:

A. General Office Expenses:

- 1. One third Supply and Purification general office expense. Charges to this expense category are wages and fringes for the staff that oversees the Supply and Purification function at the Howard Bend Plant and Chain of Rocks Plant and related miscellaneous expenses.
- 2. One third of Power and Pumping general office expense. Charges to this expense category are wages and fringes for the staff that oversees the Power and Pumping function at Howard Bend and Chain of Rocks and related miscellaneous expense.

B. Administration and Finance Expense:

- 16.
1. Costs will be allocated by taking one third of the ratio of the budgeted positions in Supply and Purification (including construction and maintenance) and Power and Pumping to the budgeted positions in Supply and Purification (including construction and maintenance), Power and Pumping, Transmission and Distribution and Customer Accounting and applying this factor to certain Administration and Finance expenses.
 2. Certain Administration and Finance expenses in (1) above include the following:
 - a. Labor - Actual wages and fringes for employees working in the Administration and Finance Departments of the Water Division.
 - b. Worker's Compensation - Worker's Compensation insurance for all employees of the Water Division.
 - c. Support Services - Only those support services directly for the operation of the Administration and Finance Section of the Water Division.
 - d. City Services - City of St. Louis costs allocated to the Water Division according to the "Central Service Cost Allocation Plan". This plan allocates City of St. Louis expenses to various City departments, including the Water Division, based upon each department's

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relative use of that city service. This allocation must be deemed fair by the Water Division's Certified Public Accountant.

e. Other Services and Miscellaneous - Charges for utilities, telephone, supplies and other miscellaneous expenses of operating the Administration and Finance Section.

3. Administration and Finance expenses specifically excluded from the costs in (2) above are charges for judgements, Bad Debt Expense and Support Services not directly for the operation of the Administration and Finance Section of the Water Division.

C. Stacy Reservoir Costs:

1. The City of St. Louis has two reservoirs, Compton and Stacy. The Public Water Supply District No. 2 of St. Charles County, Missouri will be served by the Stacy Reservoir. The costs of maintenance of the above reservoirs are not recorded separately by specific reservoir in the City's accounting records.

2. As a result of the situation in (1) above, one half of these costs will be included in the formula.

IV. Return on Investment - Calculated by taking the sum of costs in II and III above, times 18%. This amount includes any and all taxes to be paid to both the Water Division and the City of St. Louis.

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- V. The Public Water Supply District No. 2 of St. Charles County, Missouri's cost per 1,000 gallons - Calculated by totaling Items II, III, and IV above and dividing this total cost by the actual total gallons of filtered water pumped at Howard Bend including water pumped to the Public Water Supply District No. 2 of St. Charles County, Missouri, except as set forth in Item 2, Pricing.
- VI. Specifically excluded costs included the following:
- A. Transmission and Distribution costs.
 - B. Customer Accounting costs.
 - C. Debt Service.
 - D. Any other cost item not specifically included in II, III or IV above.
- VII. See Appendix B as an example of the above formula for Fiscal year 1994-95.
- VIII. The costs per 1,000 gallons purchased should be calculated on expenses for years ending June 30, and audited by the Water Division's Certified Public Accountant. The cost so calculated will become effective for the subsequent calendar year.
- IX. The Audit Report of the Water Division for the years ending June 30 should separately state the following (as previously defined):
- A. Direct costs of Supply and Purification - Howard Bend.
 - B. Direct costs of Power and Pumping - Howard Bend.
 - C. General Office Expenses - Power and Pumping.
 - D. General Office Expenses - Supply and Purification.

- E. Reservoir Maintenance Expenses.
- F. Support services charged to Administration and Finance that are directly related to the operation of the Administration and Finance Section of the Water Division.
- G. Labor Cost used to calculate percent allocation in III, B. 1. above.
- X. Water Division personnel will furnish interim Financial Statement information equivalent to that included as Appendix B of this agreement on a quarterly basis.
- XI. Public Water Supply District No. 2 of St. Charles County, Missouri reserves the right to audit the Water Division at its own expense.

01/12/96

Appendix B

Page

DETERMINATION OF COST PER M.G. FOR
FILTERED WATER PUMPED AT HOWARD BEND

	1994-95 EXPENSES	PERCENTAGE CALCULATION OF EXPENSES	ACTUAL COST COLUMN 1 X COLUMN 2
I. PLANT OPERATING EXPENSE - SUPPLY & PURIFYING			

a) Howard Bend Plant Labor (Exhibit B-5 & B-6)			
1. Laboratory	\$154,676.91	100.00%	\$154,676.91
2. Support Services (Service Building)	\$917,812.98	100.00%	\$917,812.98
3. Coagulant House	\$428,345.88	100.00%	\$428,345.88
4. Filter Plant	\$399,478.55	100.00%	\$399,478.55
5. Plant Office (Personal Services)	\$116,503.39	100.00%	\$116,503.39
b) Chemicals	\$1,058,714.57	100.00%	\$1,058,714.57
c) Miscellaneous Supplies, Materials & Services	\$333,861.12	100.00%	\$333,861.12
Total	\$3,409,393.40		\$3,409,393.40

II. PLANT OPERATING EXPENSE - POWER & PUMPING SECTION			

a) Howard Bend Plant Labor			
1. Primary Pumping	\$131,304.77	100.00%	\$131,304.77
2. High Service Pumping	\$194,451.41	100.00%	\$194,451.41
b) Power Cost			
1. Primary Pumping (Exhibit B-10)	\$118,067.80	100.00%	\$118,067.80
2. High Service Pumping (Exhibit B-11)	\$787,439.10	100.00%	\$787,439.10
c) Miscellaneous Supplies, Materials & Services	\$371,015.35	100.00%	\$371,015.35
Total	\$1,602,278.43		\$1,602,278.43

DETERMINATION OF COST PER M.G. FOR
FILTERED WATER PUMPED AT HOWARD BEND

1994-95 EXPENSES	PERCENTAGE CALCULATION OF EXPENSES	ACTUAL COST COLUMN 1 X COLUMN 2
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III. GENERAL OFFICE ALLOCATION

a) Supply & Purifying Section allocated management. These personnel have offices at the Chain of Rocks Plant. From Exhibit B-4: Total General Office = Based on the Howard Bend Plant being 1/3 of the Total Capacity of Howard Bend and Chain of Rocks allocate 1/3 of the General Office cost to Howard Bend:	\$1,036,064.16	33.00%	\$341,901.17
b) Power and Pumping allocated management cost. These personal have offices at the Chain of Rocks Plant. From Exhibit B-9: Total General Office =	\$475,979.95	33.00%	\$157,073.38
Total	\$1,512,044.11		\$498,974.56

IV. ADMINISTRATIVE AND FINANCE COST

Total Administrative and Finance Cost Exhibit B-2 allocate a portion for Supply and Purification and Power and Pumping sections.

See Exhibit B-1 (Operating Expenses)

a) Personal Services	\$858,195.19	17.16%	\$147,239.37
b) Workers Compensation (Expenses with Human Resources Section)	\$0.00	0.00%	\$0.00
c) Supplies, Materials, Other Services & Other Charges	\$209,403.18	17.16%	\$35,927.02
d) City Services	\$745,586.00	17.16%	\$127,919.17
e) Judgements	\$118,722.43	0.00%	\$0.00
f) Bad Debts	\$238.91	0.00%	\$0.00
g) Support Services-Directly Related To A & F	\$114,214.90	17.16%	\$19,595.69
Total	\$2,046,360.61		\$330,681.25

S & P Plus P & P

S & P + P & P + T & D + C & A

DETERMINATION OF COST PER M.G. FOR
FILTERED WATER PUMPED AT HOWARD BEND

1994-95 EXPENSES	PERCENTAGE CALCULATION OF EXPENSES	ACTUAL COST COLUMN 1 X COLUMN 2
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Therefore allocate cost of the Administrative & Finance Sections
Cost to the Supply & Purifying and Power and Pumping Sections.
Based on Total Budgeted payroll Positions for Fiscal Year
95-96. Allocate 1/3 of this 51.47% amount to the Howard Bend Plant.

V. DEPRECIATION EXPENSES

a) Howard Bend Plant			
1. Buildings & Structures	\$83,044.80	100.00%	\$83,044.80
2. Heating Boiler	\$3,168.95	100.00%	\$3,168.95
3. Pumping Equipment - Part of Building	\$24,620.54	100.00%	\$24,620.54
4. Pumping Equipment - Pumps Valves Switch Gear	\$117,260.73	100.00%	\$117,260.73
5. Purification Equipment - Basins	\$44,917.81	100.00%	\$44,917.81
6. Laboratory Equipment	\$92,562.97	33.00%	\$30,545.78
b) Stacy Park Reservoir			
1. All Structures in Service other than below	\$532.92	100.00%	\$532.92
3. New Roof on North Half	\$59,415.94	100.00%	\$59,415.94
4. New Roof on South Half	\$60,548.16	100.00%	\$60,548.16
Total	\$486,072.82		\$424,055.63

VI. STACY PARK RESERVOIR EXPENSES

Maintenance and Operation cost (See Exhibit B-4) take
indicated Percentage of Reservoir Cost.

a) Supplies, Materials, Other Services & Support Services	\$14,792.36	100.00%	\$14,792.36
b) City Services (Reservoir Cost Centers now Split)	\$49,608.74	0.00%	\$0.00
Total	\$64,401.10		\$14,792.36
Sub Total			\$6,280,175.62

DETERMINATION OF COST PER M.G. FOR
FILTERED WATER PUMPED AT HOWARD BEND

1994-95 EXPENSES	PERCENTAGE CALCULATION OF EXPENSES	ACTUAL COST COLUMN 1 X COLUMN 2
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VII. RETURN ON INVESTMENT

Return on equity of the City of St. Louis:

18.00% \$1,130,431.61

a) Calculated by taking the subtotal of costs above times 18%. This amount includes any and all taxes to be paid to both the Water Division and the City of St. Louis.

VIII. TOTAL COST FOR HOWARD BEND WATER SALES

\$7,410,607.24

Filtered Water Pumped in Million Gallon Units

17,212.00

\$430.5489

Cost Per 1000 Gallon Units

\$0.4305

Cost Per 100 Cubic Foot Units

\$0.3221

Filtered Water Pumped Howard Bend Plant	17,212.00	35.91%
Filtered Water Pumped Chain of Rocks Plant	30,719.00	Percent of
Total Pumping in M. Gallon Units	47,931.00	Pumping for Howard Bend

17,212.00

35.91%

30,719.00

Percent of

47,931.00

Pumping for
Howard Bend