

CONSTRUCTION AGREEMENT

THIS AGREEMENT is made and entered into this 25th day of February, 2014 (the "Effective Date"), by and between **Illinois-American Water Company**, an Illinois public utility corporation, hereinafter referred to as the "Water Company," and the **City of Peoria**, an Illinois municipal corporation, hereinafter referred to as the "City," for the purposes and consideration set forth hereinafter. The Water Company and the City may hereinafter be referred to individually as a "Party" and jointly as the "Parties."

RECITALS

A. The Water Company is an Illinois corporation engaged in furnishing water utility service within the City of Peoria and certain unincorporated portions of Peoria County in the State of Illinois and holds a certificate of public convenience and necessity issued by the Illinois Commerce Commission ("ICC"), granting it the right to furnish water utility service within a certificated area.

B. The City is installing a new roadway extension to Orange Prairie Road and is currently developing plans for the project to be referred to as Orange Prairie Extension Phase II ("Orange Prairie Project").

C. The Water Company is willing to construct and install a water distribution main and related facilities in conjunction with the Orange Prairie Project and make payments to the City as customers connect to the water main, as set forth herein.

D. The Water Company is also willing to file an application before the ICC in order to seek an adjustment to its certificated area in order to conform it to the City's current corporate boundaries.

E. The Water Company is also willing to provide reimbursement to the City of certain amounts collected during the term of an expired Trash Billing Agreement dated December 26, 2003 ("Billing Agreement") between the Water Company and the City under which the Water Company formerly performed billing and account collection services for customers of the City receiving trash collection service.

NOW, THEREFORE, in consideration of the mutual covenants, conditions, and agreements set forth herein, the parties hereto agree as follows:

1. Water Service Facilities.

(a) In accordance with Water Company construction plans, the Water Company agrees to construct and install approximately 6,000 lineal feet of 12-inch water main, together with the necessary valves, fittings, and related necessary items, excepting meters, hereinafter collectively referred to as the "Facilities." A copy of said plans is attached as Exhibit "A" and made a part of this Agreement by reference. Construction shall begin upon reasonable notice given by the City, but in any case no later than June 1, 2014.

(b) The cost of the Facilities to be designed and constructed pursuant to this Agreement is estimated to be Six Hundred Eleven Thousand Two Hundred Eighty-Two Dollars (\$611,282) ("Estimated Cost"). The Water Company shall pay all costs and expenses associated with the design, construction, and start-up of the Facilities within City owned right of way. If the actual cost of design and construction of the Facilities (the "Actual Cost") is less than the Estimated Cost, the Water Company shall pay to the City the difference between the Estimated Cost and the Actual Cost. The Water Company shall provide an accounting to the City of the Actual Cost of the design and construction of the Facilities within 60 days of completion.

(c) The size, design, type and quality of materials and of the system location and manner of installation, shall be specified by the Water Company and shall comply with the requirements of the Illinois Environmental Protection Agency, the Illinois Department of Historic Preservation, and any other public agencies having authority over the construction and installation of the Facilities. No material change shall be made in the plans and specifications for the Facilities without the prior written approval of the Water Company and the City.

(d) The Water Company shall file an application before the ICC requesting an adjustment to the boundaries of the Water Company's certificated area, as shown in the map attached hereto as Exhibit "B" (the "Modified Certificated Area").

(e) The Water Company shall not provide water service to customers from the Facilities outside the Modified Certificated Area. The Water Company shall not seek to adjust or expand the Modified Certificated Area in order to provide water utility service from the Facilities to customers outside the Modified Certificated Area without the prior written consent of the City. If the City does not respond to any request by the Water Company for consent to adjustment or expansion of the Modified Certificated Area within 30 days of submittal by the Water Company, the request shall be deemed granted.

(f) During the first 10 years after the date set forth in paragraph 1(a), the Water Company shall pay to the City, for each new customer taking service from the Facilities under a regular yearly contract, at the end of the first year's billing for service to such new customer, an amount equal to one and one-half (1½) times the actual annual water revenue received from such new customer.

(g) The total payments made to or receivable by the City under paragraph 1(f) shall not exceed the Actual Cost, without interest thereon.

(h) The parties hereto agree that the City shall not be entitled to any form of payment or other reimbursement or compensation as a result of further extensions of water mains from or beyond the Facilities installed under this Agreement, or for Customers taking service from such further extensions.

(i) Within 30 days after the Effective Date, the Water Company shall pay the City the amount of Six Hundred Seventy-Two Thousand Sixty-Six Dollars and No Cents (\$672,066.00), as reimbursement for certain amounts collected during the term of the Billing Agreement. Upon payment of such amount, the Water Company shall have no further liability or obligation to the City for amounts collected during the term of the Billing Agreement.

2. Easements.

This Agreement shall be subject to the City providing to the Water Company satisfactory evidence of perpetual easements and/or rights-of-way over, under, and across all portions of the main and pipeline routes as may be necessary to serve each parcel or lot within the project area and to operate, repair, and maintain the Facilities. All easements and rights-of-way shall be perpetually free of obstacles, which may interfere with the operation, maintenance, and use of the Facilities by the Water Company. Should the City require the relocation of the water main at a later date, costs for such relocation shall be borne by the City.

3. Commencement of Water Company's Obligation to Serve.

At all times ownership and control of the Facilities shall be and remain with the Water Company. The City shall not represent to nor advise any third party that water utility service is presently available, until availability of service is confirmed in writing by the Water Company.

4. Applicability of Water Company's Rules.

(a) This Agreement, and all rights and obligations hereunder, including those regarding water service to the Project Area, shall be subject to the Rules and all applicable rates, fees, charges, and tariffs of the Water Company as approved by the ICC from time to time.

(b) Except as to adjustments or expansions of the Modified Certificated Area as set forth in paragraph 1(e), the Water Company shall have the unilateral right to apply to the ICC for changes or modifications in any of its rates or charges and to alter or amend its terms and conditions of service and to otherwise charge for its services as may be permitted by the ICC.

5. Binding Effect of Agreement.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided, however, that an assignment or other transfer of this Agreement or any rights or obligations hereunder by the City shall not be binding upon the Water Company or create any rights in the assignee until such assignment or other transfer is approved and accepted in writing by the Water Company.

6. Notice.

Any notice required or permitted to be given under this Agreement shall be deemed delivered and be effective on the date physically delivered to the party to whom notice is being provided or two (2) calendar days following the date on which the notice is deposited in the United States Mail, postage prepaid, certified delivery, and addressed to the party to whom notice is being provided, as follows:

If to the City:

Attn: City Manager
City of Peoria, Illinois
419 Fulton Street, Suite 207
Peoria, Illinois 61602

With a copy to:

Attn: Legal Department
City of Peoria, Illinois
419 Fulton Street
Peoria, Illinois 61602

If to the Water Company:

Attn: President
Illinois-American Water Company
300 North Water Works Drive
Belleville, Illinois 62223

With a copy to:

Attn: Legal Department
Illinois-American Water Company
300 North Water Works Drive
Belleville, Illinois 62223

Each party shall promptly provide written notice to the other party, as provided herein, of any subsequent change of address, and the failure to do so shall preclude any subsequent claim that notice was improperly given hereunder.

7. Miscellaneous.

This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois. This Agreement, together with the attachments hereto, sets forth the entire agreement between the parties and supersedes all prior negotiations, understandings, and agreements between them. This Agreement shall be solely for the benefit of the Parties and shall not confer any rights to any third party. No change in, addition to, or waiver of any of the provisions of this Agreement shall be binding upon any party unless in writing and signed by the party sought to be bound. This Agreement may be executed by the Parties hereto on any number of separate counterparts, and all such counterparts so executed constitute one agreement binding on all the Parties hereto notwithstanding that all the Parties hereto are not signatories to the same counterpart.

[Remainder of page intentionally left blank; signature page follows.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their authorized individuals to be effective as of the day, month, and year first above written.

The City of Peoria, Illinois

Illinois-American Water Company

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

CONSTRUCTION AGREEMENT

EXHIBIT A

PLANS

CONSTRUCTION AGREEMENT

EXHIBIT B

Modified Certificated Area