

**Memorandum of Understanding between
the City of New Brunswick and American Water Operations and Maintenance, Inc.**

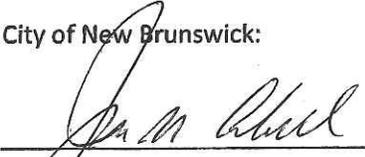
This Memorandum of Understanding ("MOU"), which is effective as of July 7, 2014 ("Effective Date"), is by and between the City of New Brunswick ("City") and American Water Operations and Maintenance, Inc. ("AWO&M"). This MOU shall serve as a framework of understanding between the parties for the development of a formal agreement for the operations of the City's water treatment and distribution system as further specified and defined below. Both parties agree to negotiate in good faith to reach a final, mutually agreeable contract by August 1, 2014. Until such time that the parties reach a final contract or one of the parties terminates this MOU, the City and AWO&M shall perform the tasks set forth herein.

- AWO&M will furnish the services of a New Jersey Licensed T-4 Operator to be responsible for the operation of the City Water Treatment Plant ("Treatment Plant") and Raw Water Pump Stations ("Pumping Stations"). For approximately the first forty-five (45) days, and as approved by the New Jersey Department of Environmental Protection ("NJDEP"), the services shall include part-time (50%) commitment of the T-4 Operator and thereafter shall require full-time licensed coverage. AWO&M shall also provide the services of a New Jersey Licensed W-4 Operator to oversee operations of the City Water Distribution System ("Distribution System"). The extent of the services of the W-4 Operator shall be established through mutual agreement of the parties. The Distribution System, Treatment Plant and Pumping Stations are collectively referred to as the "Water Utility".
- The City will hire a Water Utility Director (expected to be within the next sixty (60) days), who will serve as the point of contact for AWO&M. In the interim period, the City will assign an Interim Water Utility Director, and AWO&M will provide some Director level support through Frank Marascia.
- AWO&M shall provide four (4) additional shift supervisors to oversee the Water Utility operations. The parties agree that AWO&M will not be required to initially fill all four (4) shift supervisor positions.
- The staffing levels as described above shall be provided by AWO&M for a monthly fee of \$80,340. AWO&M shall invoice the City on a monthly basis and the City shall remit payment with thirty (30) days of receiving the invoice. Partial months shall be pro-rated (based on a 31-day month) and invoiced accordingly. For each vacant shift supervisor position, the City will be credited \$2,250/week that the position is not filled.
- The City will continue with on-going SCADA system upgrades and improvements that are anticipated to be complete within fourteen (14) days of the Effective Date of this MOU. Once complete, access to the SCADA system will be provided to AWO&M and/or New Jersey American Water Company ("NJAW") at their Operations Support Center ("OSC") and/or Raritan-Millstone facilities.
- The City will complete the on-going Water Treatment Plant Facility Plan within ninety (90) days from the Effective Date of this MOU.

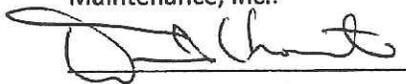
- The City will continue with the on-going development of an asset management and maintenance system ("AMMS"). AWO&M will review the on-going development of the AMMS within the next ninety (90) days and provide the City with input on the continued implementation of the AMMS.
- The City will maintain current operating and maintenance staff levels unless otherwise mutually agreed upon between the City and AWO&M.
- AWO&M shall assess the need to provide process laboratory technicians or off-site laboratories to conduct process testing and analysis. The cost for a process laboratory technician or off-site testing and analysis shall be negotiated as part of the final agreement.
- Interim operations of the Water Utility described herein shall be in accordance with approvals granted by NJDEP. It is anticipated that interim operations will include: suspending the use of the four (4) gravity filters currently in service; and treatment using the existing membrane system along with purchased water from Middlesex Water through the existing interconnection with East Brunswick, and/or from NJAW or North Brunswick. The use of the gravity filters will continue at the discretion and judgment of AWO&M as long the filters are capable of meeting regulatory requirements (≤ 0.34 NTU). AWO&M shall provide recommendations for upgrades or process modifications as necessary to restore operation of the currently operated gravity filters to service as soon as possible in order to cease the necessity for outside purchased water.
- The City shall continue with repairs and improvements to the gravity filter systems and complete the repairs and upgrades within six (6) months of the Effective Date of this MOU.
- The City will implement chemical feed modifications to provide flow pacing of key chemical feed systems within ninety (90) days of the Effective Date of this MOU
- As long as this MOU is in effect, the City agrees to defend, indemnify and hold harmless AWO&M, its officers, directors, employees and affiliates from and against all liability, loss, cost or expense imposed on AWO&M, its officers, directors, employees and affiliates arising out of or in any way related to the operations and services of the Water Utility.
- AWO&M agrees to conduct operations in accordance with best industry practices in order to meet regulatory requirements.

This Memorandum of Understanding is agreed to in principle by:

City of New Brunswick:


 By: JAMES M. CAHILL
 Title: MAYOR

American Water Operations and
 Maintenance, Inc.:


 By: DAVID CHONTA
 Title: VICE PRESIDENT