

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMM.

RECEIVED

COMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

2010 AUG 12 P 2:53

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY
FOR AUTHORITY TO RE-MARKET ITS
EXISTING INDUSTRIAL DEVELOPMENT
REVENUE BOND AT A FIXED INTEREST
RATE THROUGH ITS AFFILIATE, AMERICAN
WATER CAPITAL CORP.

DOCKET NO. WS-01303A-09-0407

DECISION NO. 71630

NOTICE OF COMPLIANCE FILING

In compliance with Decision No. 71630, Arizona American Water Company hereby files
as a compliance item in this docket, a copy of the executed financing agreement.

RESPECTFULLY SUBMITTED on August 12, 2010.

Sandra L. Murrey

Sandra L. Murrey
Rate Analyst
Arizona-American Water Company
2355 W. Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027
Sandra.Murrey@amwater.com
Office (623) 445-2490

Arizona Corporation Commission

DOCKETED

AUG 12 2010

DOCKETED BY

1 Original and 13 copies **filed**
2 on August 12, 2010, with:

3
4 Docket Control
5 Arizona Corporation Commission
6 1200 West Washington
7 Phoenix, Arizona 85007

8
9 Copies of the foregoing **emailed**
10 on August 12, 2010 to:

11
12 Brian K. Bozzo
13 Compliance and Enforcement Manager
14 Utilities Division
15 1200 West Washington Street
16 Phoenix, AZ 85007

The Industrial Development Authority of the County of Maricopa
Industrial Development Revenue Bonds
1988 Series
(Citizens Utilities Company Project)

REMARKETING AGREEMENT

Dated July 14, 2010

American Water Capital Corp.
1025 Laurel Oak Road
P.O. Box 1770
Voorhees, NJ 08043

Ladies and Gentlemen:

This is to confirm the agreement between the undersigned, Edward D. Jones & Co., L.P. (hereinafter called "Remarketing Agent"), and American Water Capital Corp. (the "Company"), a Delaware corporation and a wholly owned subsidiary of American Water Works Company, Inc., for Remarketing Agent to act as exclusive remarketing agent (except as otherwise provided herein) in connection with the giving of notice of conversion referred to below and the related remarketing in the secondary market of the issue of the Bonds referred to on Schedule I hereto (the "Bonds") under and pursuant to the Indenture of Trust dated as of September 1, 1988 relating to such issue of Bonds (the "1988 Indenture" and, as supplemented by the First Supplemental Indenture of Trust dated as of September 1, 1997 and the Second Supplemental Indenture of Trust dated as of June 1, 2001, between the hereinafter-defined Issuer and Trustee, the "Indenture") between the Issuer (as defined in Schedule I) and U.S. Bank National Association (successor to State Street Bank and Trust Company, successor to Fleet National Bank, the successor by merger to The Connecticut National Bank), as trustee (the "Trustee"). All capitalized terms used herein and not defined herein shall have the meanings specified in the Indenture.

Company, as assignee of Citizens Communications Company (formerly Citizens Utilities Company) has entered into (a) a Depositary Agreement, dated as of September 1, 1988 (the "Depositary Agreement"), with U.S. Bank National Association (successor to State Street Bank and Trust Company, successor to Fleet National Bank, the successor by merger to The Connecticut National Bank), as depositary (hereinafter called "Depositary"), and others providing, in part, for the establishment and maintenance of an account with Depositary for use in connection with the remarketing of the Bonds (the "Bond Purchase Fund") and (b) a Loan Agreement dated as of September 1, 1988, with the Issuer (as amended and supplemented by the First Supplemental Loan Agreement dated as of June 1, 2001, the "Loan Agreement"), pursuant to which such Issuer has agreed to provide the proceeds of the Bonds to Company.

Section 1. Appointment of Remarketing Agent; Responsibilities of Remarketing Agent.

(a) Subject to the terms and conditions herein contained, Company hereby appoints Remarketing Agent, and Remarketing Agent hereby accepts such appointment, as remarketing agent in connection with the giving of notice of conversion referred to below and the related remarketing of the Bonds in the secondary market; provided, however, that an additional remarketing agent may be appointed who may assume the duties of Remarketing Agent with respect to soliciting purchases for the Bonds under Section 1(c) hereof in the event that Remarketing Agent has notified Company that Remarketing Agent's obligations with respect to such duties have been suspended under Section 6(b) hereof, or in the event that Company has notified Remarketing Agent that Company has elected to appoint a different remarketing agent under Section 6(c) hereof or under Section 9.17 of the 1988 Indenture, or has terminated the appointment of Remarketing Agent under Section 9(b) hereof.

(b) In its capacity as remarketing agent, Remarketing Agent, upon receipt of the notice from Company described in Section 2.12(a) of the 1988 Indenture, shall provide Trustee with the information contained in Sections 2.12(d)(iv), (vi) and (xiii) of the 1988 Indenture within one Business Day, or on the same Business Day if Trustee waives five days of the notice period referred to in Section 2.12(a) of the 1988 Indenture.

(c) Remarketing Agent, in its capacity as remarketing agent, has received notice from Company that Company has given notice of Conversion (as defined in the Indenture) of the Bonds pursuant to and in accordance with Section 2.12(a) of the 1988 Indenture, such conversion to take place on July 27, 2010. The Company, as Holder of the Bonds, hereby agrees that it will not exercise its right under Section 2.12(d) of the 1988 Indenture to waive purchase of the Bonds. Promptly thereafter, Remarketing Agent shall exercise its best efforts to solicit purchases of the Bonds at a price not less than par, subject, in all respects, to the terms and conditions of the Indenture and subject to any suspension of such obligations under Section 6 hereof. (The term "Bonds" as used hereinafter shall mean the Bonds which are being remarketed hereunder and shall not include Bonds the purchase of which shall have been waived by the Holder, unless the context so requires.) No later than 1:00 p.m., New York City time, on the date on which Bonds are to be converted in accordance with the Indenture (the "Conversion Date"), Remarketing Agent shall notify Company and Depository by telephonic notice of the amount of Bonds, if any, which it has successfully remarketed and the registration information for such Bonds. To the extent that Remarketing Agent has arranged for the secondary sale of Bonds on such Conversion Date, Remarketing Agent shall cause the aggregate purchase price therefor to be deposited by wire transfer on or before 1:30 p.m., New York City time, on such date in the Bond Purchase Fund maintained with Depository. Company shall deposit with Depository on or before 2:00 p.m. on such Conversion Date, in accordance with the Depository Agreement, an amount equal to the purchase price of those Bonds which were not successfully remarketed. (Because the date of purchase is an Interest Payment Date, such purchase price shall be equal to the principal amount of such Bonds and there shall be no accrued interest owing on the Bonds if such interest shall have been paid by the Paying Agent to the selling Bondholder

as the record owner of such Bonds, subject, in all respects, to the terms and conditions of the Indenture.) Upon receipt of funds for the purchase price of the Bonds, Depository will notify Trustee and Registrar in accordance with the Depository Agreement and will cause the Bonds to be delivered to or upon the instructions of Remarketing Agent. To the extent that Bonds have been paid for, and are being held, by Company pursuant to the Loan Agreement, Remarketing Agent shall exercise its best efforts to solicit purchases of such Bonds at a price of not less than the principal amount of such Bonds plus accrued interest, if any, subject, in all respects, to the terms and conditions of the Indenture. With the consent of Company, Bonds purchased and owned by Company may be resold at a price other than par (but only in the event that Company has provided the funds to pay the purchase price of such Bonds). Immediately upon arranging the placement of any or all of such Bonds, Remarketing Agent shall give notice thereof to Company and thereupon the transfer of such Bonds shall take place.

(d) It is understood that, unless the obligations of Remarketing Agent to solicit purchases are suspended under Section 6 hereof or the appointment of the Remarketing Agent is terminated under Section 9 hereof, Remarketing Agent shall act as remarketing agent for Company with respect to the remarketing of Bonds noticed for Conversion on July 27, 2010.

(e) It is understood and agreed that Remarketing Agent's responsibilities hereunder will include (i) the soliciting of purchases of the Bonds from investors, (ii) effecting and processing such purchases, (iii) billing and receiving payment for Bonds purchased, (iv) causing the proceeds from the secondary sale of the Bonds to be transferred to Depository for deposit in the Bond Purchase Fund and (v) performing such other related functions as may be requested by Company and agreed to by Remarketing Agent.

Section 2. The Bonds. As more fully described in the Indenture, the Bonds have been issued in the form of fully registered Bonds without coupons in authorized denominations. The Bonds shall bear interest at the rates and shall be payable on the dates established in accordance with the Indenture.

Section 3. Furnishing of Offering Materials.

(a) Company agrees to furnish Remarketing Agent with as many copies as Remarketing Agent may reasonably request of a Preliminary Remarketing Memorandum, if any, and of a final Remarketing Memorandum in such form as may be determined by Company, with respect to the Bonds and the financial condition of Company (such documents and any such additional remarketing information as may be provided by Company, as amended or supplemented from time to time, being herein referred to as the "Remarketing Document").

(b) If, at any time during the term of this Agreement, any event known to Company relating to or affecting Company, the Indenture, the Loan Agreement or the Bonds shall occur which might affect the correctness or completeness of any statement of a material fact contained in the Remarketing Document, Company will promptly notify

Remarketing Agent in writing of the circumstances and details of such event; provided that notification of any event affecting Company which is described in any filing by Company under the Securities Exchange Act of 1934, as amended and then in effect (the "Securities Exchange Act"), shall be deemed to have been given to Remarketing Agent.

(c) Company agrees to cooperate with Remarketing Agent such that Remarketing Agent, as remarketing agent, shall be able to comply at all times with Rule 15c2-12 under the Securities Exchange Act to the extent applicable. In particular, Company shall enter into a Continuing Disclosure Undertaking meeting the requirements of Rule 15c2-12 on or before July 27, 2010.

Section 4. Representations, Warranties, Covenants and Agreements of Company.

Company represents, warrants, covenants and agrees with Remarketing Agent as follows:

(a) Company has been duly incorporated and is in good standing under the laws of its state of incorporation, has corporate power and authority to own its properties and to conduct its business and possesses all material licenses and approvals necessary for the conduct of its business as presently conducted;

(b) Company has full power and authority to take all actions required or permitted to be taken by it by or under, and to perform and observe the covenants and agreements on its part contained in, this Agreement, the Depositary Agreement, the Loan Agreement and any other instrument or agreement relating thereto to which it is a party;

(c) Company has, on or before the date hereof, duly taken all action necessary to be taken by it prior to such date for the carrying out, giving effect to and consummation and performance of the transactions and obligations contemplated hereby and by the Remarketing Document, provided that no representation is made with respect to compliance with the securities or "Blue Sky" laws of the various states of the United States;

(d) This Agreement, the Loan Agreement, the Depositary Agreement and any other instrument or agreement to which Company is a party and which has been or, on or before the date hereof, will be executed in connection with the remarketing of the Bonds contemplated by this Agreement, when executed and delivered by the parties hereto and thereto, will constitute valid and binding obligations of Company enforceable against it in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws, judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally;

(e) The execution and delivery of this Agreement, the Loan Agreement, the Depositary Agreement and any other instrument or agreement to which Company is a party and which has been or, on or before the date hereof, will be executed in connection with the remarketing of the Bonds contemplated by this Agreement, the compliance with the terms, conditions or provisions hereof and thereof and the consummation of the transactions herein and therein contemplated will not violate any presently existing law or

any presently existing regulation, order, writ, injunction or decree of any court or governmental instrumentality applicable to Company, or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of Company (other than the lien of the Indenture), pursuant to the terms of its Charter or Bylaws, or any mortgage, indenture, agreement or instrument to which Company is a party or by which it or any of its properties is bound;

(f) All authorizations, consents and approvals of, notices to, registrations or filings with, or actions in respect of any governmental body, agency or other instrumentality or court required in connection with the execution, delivery and performance by Company of this Agreement, the Loan Agreement, the Depositary Agreement and any other agreement or instrument to which Company is a party and which has been or will be executed in connection with the remarketing of the Bonds contemplated by this Agreement have been obtained, given or taken and are in full force and effect, provided that no representation is made with respect to compliance with the securities or "Blue Sky" laws of the various states of the United States;

(g) Other than as disclosed in the Remarketing Document and the documents incorporated by reference therein, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending or, to the knowledge of Company, threatened against Company which would have a materially adverse effect on the properties, business as presently conducted, condition (financial or other) or results of operations of Company or the transactions contemplated by this Agreement, or by the Remarketing Document, or which would adversely affect the validity or enforceability of, or the authority or ability of Company to perform its obligations under, this Agreement, the Loan Agreement, the Depositary Agreement or any other agreement or instrument to which Company is a party and which is used or contemplated for use in the remarketing of Bonds contemplated by this Agreement or the Remarketing Document;

(h) The consummation of the remarketing of Bonds contemplated by this Agreement or the Remarketing Document will not constitute a violation of any provision of the Certificate of Incorporation or Bylaws of Company;

(i) Company is not in default under any indenture or other agreement or instrument governing outstanding indebtedness to which Company is a party or by which it is bound, which default would have a material adverse effect on the remarketing of Bonds contemplated by this Agreement, or the Remarketing Document, nor has any event occurred which, with notice or the passage of time or both, would constitute such a default under any such document;

(j) Company will cooperate with Remarketing Agent in the qualification of the Bonds for offering and sale and the determination of the eligibility of the Bonds for investment under the laws of such jurisdictions, as Remarketing Agent shall designate, and will use its best efforts to continue any such qualification in effect so long as required for the remarketing of the Bonds by the Remarketing Agent, provided that Company shall not be required to qualify to do business in any jurisdiction where it is not now so

qualified or to take any action which would subject it to general service of process in any jurisdiction where it is not now so subject. It is understood that Company is not responsible for compliance with or the consequences of failure to comply with applicable "Blue Sky" laws;

(k) The information contained in the Remarketing Document or incorporated by reference therein, as of the date on which the Remarketing Document is furnished to Remarketing Agent, will not contain any untrue statement of a material fact and will not omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. No representation is made in this paragraph (k), however, with respect to any information furnished in writing to Company by or on behalf of Issuer or Remarketing Agent specifically in preparation of the Remarketing Document; and

(l) Any certificate authorized by resolution of Company signed by any authorized officer or officers of Company and delivered to Remarketing Agent shall be deemed a representation by Company to Remarketing Agent as to the statements made therein.

Section 5. Conditions to Remarketing Agent's Obligations; Remarketing Agent's Representation and Warranty.

(a) The obligations of Remarketing Agent under this Agreement have been undertaken in reliance on, and shall be subject to, the due performance by Company of its obligations and agreements to be performed hereunder and to the accuracy of and compliance with the representations, warranties, covenants and agreements of Company contained herein, in each case on and as of the date of delivery of this Agreement and on and as of the Conversion Date.

(b) The obligations of Remarketing Agent hereunder are also subject, in the discretion of Remarketing Agent, to the following further condition: On and prior to the Conversion Date, the Indenture, the Loan Agreement and the Depositary Agreement shall be in full force and effect and shall not have been amended, modified or supplemented in any way which would materially and adversely affect the Bonds, except as may have been agreed to in writing by Remarketing Agent, and there shall be in full force and effect additional resolutions, agreements, certificates (including such certificates as may be required by regulations of the Internal Revenue Service in order to establish the tax-exempt character of interest on the Bonds) and opinions which shall be reasonably satisfactory in form and substance to a firm of nationally recognized bond counsel selected in accordance with the provisions of the Indenture, and to counsel for Remarketing Agent.

(c) Remarketing Agent will receive, to the extent it has not already received, copies of this Agreement, the Indenture, the Depositary Agreement and the Loan Agreement.

(d) Remarketing Agent will receive a letter from PricewaterhouseCoopers LLP, addressed to Remarketing Agent, dated the Closing Date, in form and substance satisfactory to the Remarketing Agent.

Section 6. Suspension of Certain Obligations.

(a) This Agreement shall become effective upon execution by Remarketing Agent and Company and shall continue in full force and effect to and including the Conversion Date.

(b) Remarketing Agent may suspend its obligation to solicit purchases of the Bonds under Section 1 hereof (but otherwise will continue to perform all of the duties of the remarketing agent under the Indenture) by notifying Company in writing or by telegram, telex or other electronic communication of its election so to do not less than five days before such suspension takes effect, if:

(i) Legislation, not introduced or proposed as of the date of this Remarketing Agreement, shall be favorably reported by a committee of the House of Representatives or the Senate of the Congress of the United States or be enacted by, the House of Representatives or the Senate, or be recommended by committee to the Congress of the United States for passage by Congress and approval by the President of the United States, or a decision by a court established under Article III of the Constitution of the United States, or the Tax Court of the United States, shall be rendered or a ruling, regulation or order of the Treasury Department of the United States or the Internal Revenue Service shall be made or proposed having the purpose or effect of imposing federal income taxation, or any other event shall have occurred which results in the imposition of federal income taxation, upon revenues or other income of the general character to be derived by Issuer (or by any similar body) or upon interest on the Bonds;

(ii) Legislation shall be enacted by the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States, shall be rendered, or a stop order, rulings, regulation or official statement by, or on behalf of, the United States Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the offering or sale of the Bonds or of obligations not materially distinguishable from the Bonds, as contemplated hereby, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby;

(iii) Any information shall have become known which, in Remarketing Agent's reasonable opinion, makes untrue, incorrect or misleading in any material respect any statement or information contained in the Remarketing Document as the information contained therein has been supplemented or amended by other

information, as of the date furnished or supplemented to Remarketing Agent in accordance with Section 3 hereof, or causes the Remarketing Document, as so supplemented or amended, to contain an untrue, incorrect or misleading statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, provided that Remarketing Agent may give one day's notice before such suspension takes effect, if Remarketing Agent becomes aware of the information first above referred to in this clause not more than seven days prior to its giving of notice of suspension;

(iv) Except as provided in clauses (i) and (ii) hereof, any legislation, resolution, ordinance, rule or regulation shall be introduced in, or be enacted by, any federal governmental body, department or agency of the United States or the State of New York, or a decision by any court of competent jurisdiction within the United States or the State of New York shall be rendered which, in Remarketing Agent's reasonable opinion, materially adversely affects the marketability of the Bonds;

(v) Additional material restrictions not in force as of the date hereof shall have been imposed upon trading in the Bonds or obligations not materially distinguishable from the Bonds by any governmental authority or by any national securities exchange by any governmental authority or by any national securities exchange;

(vi) Any governmental authority shall impose, as to the Bonds, or obligations not materially distinguishable from the Bonds, any material restrictions not now in force, or increase materially those now in force;

(vii) A general banking moratorium shall have been established by federal or State of New York authorities;

(viii) Any event shall have occurred which, in the reasonable opinion of Remarketing Agent, has or would have a materially adverse effect on the properties, business, condition (financial or other) or results of operations of Company and such event, in the opinion of Remarketing Agent, materially adversely affects the marketability of the Bonds;

(ix) Any rating of the Bonds shall have been downgraded or withdrawn by a national rating service, which, in Remarketing Agent's reasonable opinion, materially adversely affects the marketability of the Bonds; or

(x) A war involving the United States shall have been declared, or any existing conflict involving the armed forces of the United States shall have escalated, or any other national emergency relating to the effective operation of government or the financial community shall have occurred, which, in Remarketing Agent's reasonable opinion, materially adversely affects the marketability of the Bonds.

Remarketing Agent may resume its obligations to solicit purchases under Section 1 at any time in its sole discretion upon notice to Company, unless a successor remarketing agent has been appointed by Company in the interim.

(c) If any event or condition described in subparagraph (i), (ii), (iv), (v), (vii), (ix) or (x) of Section 6(b) should occur (substituting Company's reasonable opinion for "Remarketing Agent's reasonable opinion" in subparagraphs (iv), (ix) and (x)) and, in Company's reasonable opinion, (a) the marketing of the Bonds by another broker-dealer would appear to be less impacted by such event or condition, or (b) an event or condition shall have occurred with respect to the business, condition (financial or other) or operations of Remarketing Agent which, in the reasonable opinion of Company, materially adversely affects the ability of Remarketing Agent to market the Bonds, then Company may appoint a different Remarketing Agent to solicit purchasers of the Bonds under Section 1 hereof by notifying Remarketing Agent in writing or by telegram, telex or other electronic communication of its election to do so not less than five days before such appointment takes effect.

(d) Company may request Remarketing Agent to resume its obligations under this Agreement at any time upon notice to Remarketing Agent.

Section 7. Payment of Fees. In consideration of the services to be performed by Remarketing Agent under this Agreement in connection with conversion of the Bonds, Company agrees to pay to Remarketing Agent a fee of \$239,287.50.

Section 8. Indemnification With Respect to Remarketing Document.

(a) Company agrees to indemnify and hold harmless the Remarketing Agent and its officers and employees (collectively, the "Indemnified Persons" and, individually, an "Indemnified Person") from and against any losses, claims, damages or liabilities to which any Indemnified Person may become subject insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact contained in the Remarketing Document or other information provided by Company pursuant to Section 3 hereof, or arise out of, or are based upon, the omission or alleged omission to state therein a material fact necessary to make the statements therein not misleading and will reimburse each Indemnified Person for any legal or other expenses reasonably incurred by such Indemnified Person in investigating, defending or preparing to defend any such action or claim; provided, however, that Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in the Remarketing Document or other information provided by Company pursuant to Section 3 hereof in reliance upon and in conformity with written information furnished to Company by or on behalf of any Indemnified Person specifically for preparation of the Remarketing Document or such other information. The indemnity agreement in this paragraph shall be in addition to any liability which Company may otherwise have to any Indemnified Person and shall extend upon the same terms and conditions to each person, if any, who controls any Indemnified Person within the meaning of the Exchange Act.

(b) Promptly after receipt by an Indemnified Person under paragraph (a) of this Section of notice of the commencement of any action, such Indemnified Person shall, if a claim in respect thereof is to be made against Company under such paragraph, notify Company in writing of the commencement thereof, but the omission so to notify Company shall not relieve Company from any liability which it may have to any Indemnified Person otherwise than under such paragraph. In case any such action shall be brought against any Indemnified Person, and such Indemnified Person shall notify Company of the commencement thereof, Company shall be entitled to participate in and, to the extent that it wishes, to assume the defense thereof, with counsel reasonably satisfactory to such Indemnified Person, and, after notice from Company to such Indemnified Person of its election so to assume the defense thereof, Company shall not be liable to such Indemnified Person under such paragraph for any legal or other expenses subsequently incurred by such Indemnified Person in connection with the defense thereof other than reasonable out-of-pocket costs of any investigation; provided, however, that if the named parties to any such action (including any impleaded parties) include both the Remarketing Agent (or its officers or employees or any person so controlling the Remarketing Agent) and Company, and the Remarketing Agent (or such officers or employees or such person so controlling the Remarketing Agent) shall have reasonably concluded that there may be one or more legal defenses available to it which are different from or additional to those available to Company, the Remarketing Agent (or such officers or employees or such person so controlling the Remarketing Agent) shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of the Remarketing Agent (or such officers or employees or such person so controlling Remarketing Agent); provided further, however, that Company shall not, in connection with any one such action or separate but substantially similar or related actions arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys at any point in time for Remarketing Agent and its officers and employees and all persons so controlling Remarketing Agent.

(c) Remarketing Agent agrees to indemnify and hold harmless Company and its respective officers and employees to the same extent as the indemnity from Company to the Indemnified Persons described in paragraph (a) of this Section, but only with respect to information relating to Remarketing Agent furnished in writing by it, or on its behalf, specifically for use in preparation of the Remarketing Document. In case any action shall be brought against Company in respect of which indemnity may be sought against Remarketing Agent, Remarketing Agent shall have the rights and duties given to Company, and Company shall have the rights and duties given to Remarketing Agent, by paragraph (b) of this Section. The indemnity agreement in this paragraph shall be in addition to any liability which Remarketing Agent may otherwise have to Company and shall extend upon the same terms and conditions to each person, if any, who controls Company within the meaning of the Exchange Act.

(d) The indemnity agreements contained in this Section 8 shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of Remarketing Agent or Company (unless the results of any such investigation

have not been disclosed), or the delivery of and any payment for any Bonds hereunder, and shall survive the termination or cancellation of this Agreement.

(e) Neither Company nor Remarketing Agent shall be indemnified hereunder for any losses, claims, damages or liabilities resulting from its gross negligence or willful misconduct. Neither the officers nor employees of Company or Remarketing Agent, as the case may be, shall be indemnified hereunder for any losses, claims, damages or liabilities resulting from their gross negligence or willful misconduct nor shall any Indemnified Person be indemnified hereunder for any losses, claims, damages or liabilities resulting from its gross negligence or willful misconduct.

Section 9. Miscellaneous.

(a) Except as otherwise specifically provided in this Agreement, all notices, demands and formal actions under this Agreement shall be in writing and mailed, telegraphed or delivered to:

Remarketing Agent: Edward D. Jones & Co., L.P.
12555 Manchester Road
St. Louis, MO 63131
Attention: Investment Banking Department

Company: American Water Capital Corp.
1025 Laurel Oak Road
Voorhees, NJ 08043
Attention: Treasurer

Remarketing Agent and Company may, by notice given under this Agreement, designate other addresses to which subsequent notices, requests, reports or other communications shall be directed.

(b) Company may terminate the appointment of Remarketing Agent with such notice and under such conditions as are provided by Sections 9.16, 9.17 and 9.18 of the 1988 Indenture.

(c) Unless otherwise expressly provided herein, obligations of the respective parties hereto may not be assigned or delegated to any other person without the consent of the other party hereto. This Agreement will inure to the benefit of and be binding upon Company and Remarketing Agent and their respective successors and assigns and will not confer any rights upon any other person, partnership, association or corporation other than persons, if any, controlling Company and Remarketing Agent within the meaning of the Securities Exchange Act. The terms "successors" and "assigns" shall not include any purchaser of any of the Bonds merely because of such purchase.

(d) All of the representations, warranties and covenants of Company and Remarketing Agent in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of Remarketing Agent or Company, (ii) delivery of and any payment for any Bonds hereunder or (iii) termination or cancellation of this Agreement or the appointment of Remarketing Agent.

(e) Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

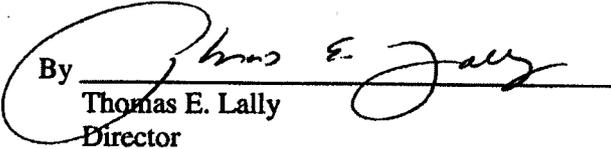
(f) If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

(g) This Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

(h) This Agreement shall be governed by and construed in accordance with the laws of the State of Missouri.

Very truly yours,

EDWARD D. JONES & CO., L.P.

By 
Thomas E. Lally
Director

Accepted and agreed to as of
the date first above written:

AMERICAN WATER CAPITAL CORP.

By _____
Ellen C. Wolf
President

(d) All of the representations, warranties and covenants of Company and Remarketing Agent in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of Remarketing Agent or Company, (ii) delivery of and any payment for any Bonds hereunder or (iii) termination or cancellation of this Agreement or the appointment of Remarketing Agent.

(e) Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

(f) If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

(g) This Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

(h) This Agreement shall be governed by and construed in accordance with the laws of the State of Missouri.

Very truly yours,

EDWARD D. JONES & CO., L.P.

By _____
Thomas E. Lally
Director

Accepted and agreed to as of
the date first above written:

AMERICAN WATER CAPITAL CORP.

By Ellen C. Wolf
Ellen C. Wolf
President

SCHEDULE I

\$10,635,000 principal amount of The Industrial Development Authority of the County of Maricopa Industrial Development Revenue Bonds, 1988 Series (Citizens Utilities Company Project).

"Issuer" means The Industrial Development Authority of the County of Maricopa.

1 IT IS FURTHER ORDERED that Arizona-American Water Company shall, within 60 days
2 after the date of execution, file with Docket Control, as a compliance item in this docket, copies of all
3 executed financing documents related to the authorization granted herein.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

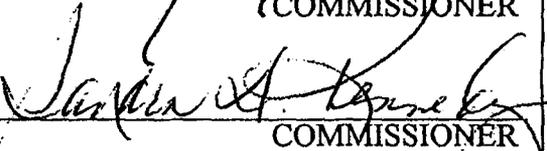
5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

6
7 
8 CHAIRMAN


9 COMMISSIONER

10 COMMISSIONER


COMMISSIONER


COMMISSIONER

11
12 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
13 Executive Director of the Arizona Corporation Commission,
14 have hereunto set my hand and caused the official seal of the
15 Commission to be affixed at the Capitol, in the City of Phoenix,
16 this 14th day of April, 2010.

17 
18 ERNEST G. JOHNSON
19 EXECUTIVE DIRECTOR

20 DISSENT _____

21
22
23 DISSENT _____