

First Amendment to  
DELAWARE AND RARITAN CANAL - SPRUCE RUN/ROUND VALLEY  
WATER SUPPLY SYSTEM  
WATER PURCHASE CONTRACT RBS-1B

Between the

NEW JERSEY WATER SUPPLY AUTHORITY

AND THE

NEW JERSEY AMERICAN WATER, INC.  
(FORMERLY ELIZABETHTOWN WATER COMPANY, INC.)

Increasing Uninterruptible Service Allocation  
from 124.1 MGD to 126.6 MGD

Effective January 1, 2008

This First Amendment to Delaware and Raritan Canal - Spruce Run/Round Valley Water Supply System ("System") Water Purchase Contract dated , 2007 by and between the New Jersey Water Supply Authority (the "Authority") a public body corporate and politic, with corporate succession, with an address of 1851 State Highway 31, Post Office Box 5196, Clinton, New Jersey 08809, and the New Jersey American Water, Inc. (formerly Elizabethtown Water Company, Inc.) ("the Purchaser"), a corporation existing under the laws of the State of New Jersey, having its principal office at 131 Woodcrest Road, Cherry Hill, New Jersey 08034.

WITNESSETH THAT

WHEREAS, the Authority has previously entered into a System Water Purchase Contract, dated as of September 11, 2003 (the "Water Purchase Contract") with the Purchaser for Uninterruptible Service totaling 124.1 MGD; and

WHEREAS, the Purchaser has requested an additional water supply of 2.5 MGD from the System to satisfy a general increase in demand for public community water supply purposes for residents of central New Jersey; and

WHEREAS, the Authority and the Purchaser wish to amend the Water Purchase Contract to increase the Purchaser's amount of Uninterruptible Service to 126.6 MGD effective January 1, 2008; and

WHEREAS, the New Jersey Department of Environmental Protection has advised that this additional allocation is not in conflict with the State Water Supply Master Plan requirements;

NOW, THEREFORE, for and in consideration of the promises and agreements herein set forth, the Authority and the Purchaser, intending to be legally bound hereby, agree as follows:

## Amendments to Water Purchase Contract

1. Section 2, Water Services to be Provided paragraphs A. and B. of the Water Purchase Contract are hereby amended by striking said paragraphs A. and B. of Section 2 and substituting the following therefore:

A. "The Authority shall supply and make available for delivery to the Purchaser, on and after January 1, 2008, and the Purchaser shall be entitled to utilize, the following water services, all subject to the other terms and conditions of this Contract and the System Rules and Regulations:

(i) (a) Uninterruptible Service of 126.6 MGD, which number of MGD is the maximum amount of Uninterruptible Service permitted to be withdrawn by the Purchaser in any twenty-four (24) hour period, subject to the provisions of Section 2(B). In addition to the 126.6 MGD of water covered by this amended Water Purchase Contract, the Purchaser may withdraw, without charge, a maximum of 2.910 MGD at its Raritan-Millstone Plant, said amount constituting a legislative grant (Special Charter No. A335, 1881) to the Somerville Water Company, said company having been subsequently acquired by the Purchaser;

B. Purchaser shall not withdraw water, in the aggregate for all Uninterruptible Service provided hereunder, at rates greater than an average of 126.6 million gallons in any twenty-four (24) hour period; 4,162 million gallons per month, which per minute, daily and monthly amounts shall be appropriately adjusted to reflect fluctuations in water use; and an average of forty-six thousand, two-hundred and nine (46,209) million gallons in any year from January 1, 2008 through November 30, 2023. The Purchaser shall immediately notify the Authority of any such withdrawals in excess of said amount.

2. Section 4, Payment for Water Services paragraph H Retroactive Debt Service Payment of the Water Purchase Contract is hereby amended by striking paragraph H. (i)-(iii) of Section 4 and substituting the following therefore:"

H. The Purchaser agrees to pay to the Authority the following additional amounts:

(i) An amount equal one million four hundred eighty two thousand nine hundred sixty seven dollars and ninety three cents (\$1,482,967.93), which sum represents the remaining retroactive payment of a full proportionate share, net of credit to self, of the total annual payments of Debt Service for the 1958, 1969, and 1981 bonds made payable to the Authority by other purchasers of water from the System during the period from July 1, 1983 through December 31, 2003, for that certain 20.1 MGD of water initially contracted for purchase by the Purchaser commencing on January 1, 2004. Said remaining payments are to be made on the first day of each month in 191 equal monthly installments of \$7,764.23 for usage commencing January 1, 2008 and continuing through November 30, 2023; plus an amount equal to two hundred forty three thousand eight hundred forty dollars and fifteen cents (\$243,840.15), which sum represents the retroactive payment of a full proportionate share, net of credit to self, of the total annual payments of Debt Service for the 1958, 1969, and 1981 bonds made payable to the Authority by other purchasers of water from the System during the period from July 1, 1983 through December 31, 2006, for that certain 2.5 MGD of water contracted for purchase by the Purchaser commencing on January 1, 2008. Said payments are to be made on the first day of each month in 191 equal monthly installments of \$1,276.65 for water usage commencing January 1, 2008 and continuing through November 30, 2023; and

(ii) An amount equal to eight hundred seventy thousand three hundred ninety four dollars and sixty four cents (\$870,394.64), which sum represents the retroactive payment of a full proportionate share, net of credit to self, of the total payment of Debt Service for the 1988 Water System Revenue Bonds made to the Authority by other purchasers of water from the System during the period from July 1, 1989 through June 30, 1998 for that certain 20.1 MGD of water initially contracted for purchase by the Purchaser commencing on January 1, 2004. Said remaining payments are to be made on the first day of each month in 191 equal monthly installments of \$4,557.04 for usage commencing

January 1, 2008 and continuing through November 30, 2023; plus an amount equal to one hundred twenty four thousand thirty seven dollars and thirty one cents (\$124,037.31), which sum represents the retroactive payment of a full proportionate share, net of credit to self, of the total payment of Debt Service for the 1988 Water System Revenue Bonds made to the Authority by other purchasers of water from the System during the period from July 1, 1989 through June 30, 1998 for that certain 2.5 MGD of water purchased by the Purchaser commencing on January 1, 2008. Said payments are to be made on the first day of each month in 191 equal monthly installments of \$649.41 for usage commencing January 1, 2008 and continuing through November 30, 2023; and

(iii) An amount equal to three hundred sixty seven thousand seven hundred five dollars and fifty six cents (\$367,705.56), which sum represents the remaining retroactive payment of a full proportionate share, net of credit to self, of the total annual payments of Debt Service for the 1998 Water Surplus Revenue Funding Bonds made to the Authority by other purchasers of water from the System during the period of July 1, 1999 through December 31, 2003 for that certain 20.1 MGD of water initially contracted for purchase by the Purchaser commencing on January 1, 2004. Said remaining payments are to be made on the first day of each month following in 191 equal monthly installments of \$1,925.16 for usage commencing January 1, 2008 and continuing through November 30, 2023; plus an amount equal to ninety nine thousand one hundred seventy one dollars and two cents (\$99,171.02), which sum represents the retroactive payment of a full proportionate share, net of credit to self, of the total annual payments of Debt Service for the 1998 Water Surplus Revenue Funding Bonds made to the Authority by other purchasers of water from the System during the period of July 1, 1999 through December 31, 2007 for that certain 2.5 MGD of water purchased by the Purchaser commencing on January 1, 2008. Said payments are to be made on the first day of each month following in 191 equal monthly installments of \$519.22 for usage commencing January 1, 2008 and continuing through November 30, 2023.

In all other respects the Water Purchase Contract dated September 11, 2003 between the Purchaser and the Authority shall continue in full force and effect.

IN WITNESS WHEREOF, the Authority and the Purchaser  
have caused this First Amendment to the Water Purchase  
Contract to be duly executed as of this day of 3/3/08  
2007.

(Authority Seal)

ATTEST:

NEW JERSEY WATER SUPPLY AUTHORITY

Josanna K. Stem

By: Henry S. Patterson III  
Henry S Patterson III  
Executive Director

(Purchaser Seal)

ATTEST:

NEW JERSEY AMERICAN WATER COMPANY, INC.

Jordan S. Mersky  
Secretary  
Jordan S. Mersky  
Assistant Secretary

By: John R. Bigelow  
Authorized Officer  
John Bigelow, President

Reviewed and Approved As to Form Only:

Anne Milgram  
Attorney General for New Jersey

By: Helene P. Chudzik  
Helene P. Chudzik  
Deputy Attorney General