

**AGREEMENT ON AMENDING THE SERVICES AGREEMENT,  
THE 30 SEPTEMBER 2002 AGREEMENT, THE STORM WATER  
AGREEMENT AND THE FIRE HYDRANTS AGREEMENT**

Tallinn, 14 March 2005

**PARTIES TO THE AGREEMENT**

- (A) **THE CITY OF TALLINN** (in Estonian *Tallinna linn*), as represented by the vice mayor Mr. **Peep Aaviksoo** who is acting pursuant to the Tallinn City Government order no. 458-k dated 9 March 2005 (the "**City**"),

and

- (B) **AKTSIASELTS TALLINNA VESI**, registration code 10257326, with its registered office at Ädala 10, Tallinn 10614, as represented by the Chairman of the Management Board Mr. **Robert John Gallienne** who is acting pursuant to law and the Articles of Association of the company (the "**Company**"),

and

- (C) **UNITED UTILITIES (TALLINN) B.V.** (former business name International Water UU (Tallinn) B.V.), a limited liability company registered with the commercial register of the Chamber of Commerce and Industries of the Netherlands, registration code 34137178, with registered office at Teleportboulevard 140, 1043 EJ Amsterdam, the Netherlands, as represented by Mr. David John Kilgour who is acting pursuant to the Power of Attorney (the "**Investor**"),

hereinafter the City and the Company separately referred to as a "**Party**" and together the "**Parties**",

have agreed to amend the Services Agreement, the 30 September 2002 Agreement, the Storm Water Agreement and the Fire Hydrants Agreement executed between the Company and the City and, among the Company, the City and the Investor as follows:

**1. Definitions**

Capitalised terms used in this Agreement that have not been defined elsewhere in this Agreement shall have the following meanings:

- 1.1 "**EU Funds Agreement**" will mean the Agreement on engagement of EU Funds for the development of public water supply and sewerage system in Tallinn to be executed between the City and the Company.
- 1.2 "**Fire Hydrants Agreement**" will mean the Agreement on the Extraction of Fire Fighting Water from Fire Hydrants in the Public Water Supply System and Extraction



of Water from Public Water Extraction Points executed between the City and the Company on 22 June 2001.

- 1.2 **"Storm Water Agreement"** will mean the Agreement on the Conduct of Rain Water, Drainage Water and Other Soil and Surface Water from Public Roads, Streets and Squares to the Public Sewerage System and Treatment thereof and the Construction of Storm Water Facilities executed between the City and the Company on 22 June 2001.
- 1.3 **"30 September 2002 Agreement"** will mean the Agreement on Amending the Project Agreements executed between the Company, the City and the Investor on 30 September 2002.

Capitalised terms not defined in this Agreement shall have the meanings given to them in the Services Agreement, the 30 September 2002 Agreement, the Storm Water Agreement and the Fire Hydrants Agreement, unless expressly stated otherwise in this Agreement.

## 2. Network Extensions

- 2.1 Network Extension Programme. In order to make the Investment Plan set out in Appendix 3 of the Business Plan appended to the Shareholders' Agreement, provisions of Clause 2 of Part II "Capital Works Requirements 2001 to end 2005" of Schedule D to the Services Agreement and the Network Expansion Schedule set out in Appendix X1 of the Services Agreement compliant with Part I Clause 3(1) and Part IV Clause 3(1) of the 30 September 2002 Agreement, the Parties and the Investor have agreed to prepare a new indicative Network Extension programme for the years 2004 – 2011. The revised Network Extension programme is appended hereto as Appendix 1. The Investment Plan, the Capital Works Requirements 2001 to end 2005 and the Network Expansion Schedule will be amended as necessary in due course to take into account the impact of any changes introduced by the Network Extension programme as set out in Appendix 1 hereto. For avoidance of doubt, the Parties acknowledge that in case of involvement of EU Funds (according to the EU Funds Agreement) the Company's obligations to carry out Network Extensions shall be amended accordingly.
- 2.2 Approval of the Annual Network Extension Programme. The Company shall submit its annual Network Extension programme to the City for approval at the latest by 30 June of the preceding year. The City shall approve the Company's annual Network Extension programme or inform the Company of any changes required to be made to the annual Network Extension programme at the latest by 31 January of the construction year covered by the annual Network Extension programme.
- 2.3 Reimbursement of Network Extension Costs. The Parties and the Investor have agreed to make the following specifications and amendments in respect of reimbursement of Network Extension Costs:
  - 2.3.1 The City shall compensate the Connection Charges according to the Instructions for Compensation for Connection Charges as applicable at the date of signing of this Agreement;

- 2.3.2 Additionally, after passing of 12 months from the date of issuing the permit for use to the Project or a part thereof the City shall pay the Company 80% of the difference between the Connection Charges of the "Registered immovables that have been given the connection opportunity" and the Connection Charges of the "Registered immovables connected".
- 2.3.3 The connectees shall pay to the Company the remaining 20% of the Connection Charges when they connect to the public water supply and sewerage system.
- 2.3.4 Detailed guidelines on reimbursement of Network Extension Costs and explanation of the terms used have been set out in Appendix 2 hereto. The guidelines set out in Appendix 2 hereto will replace the respective provisions of Part IV of the 30 September 2002 Agreement.
- 2.3.5 For avoidance of doubt, in case the City changes the Instructions for Compensation for Connection Charges or any other relevant legal acts of the City, the obligations of the City set out in Clause 2.3 above and Appendix 2 hereto shall be amended as necessary and the impact on Tariffs shall be agreed pursuant to the Tariff formula that is provided in Schedule E Part I of the Services Agreement and any change will be applied to the Tariff level as set out in the 30 September 2002 Agreement.

### 3. Storm Water

- 3.1 Storm Water Facilities' Construction Costs. The costs of planning, design and construction referred to in Clause 7.3 of the Storm Water Agreement shall be reimbursed by the City to the Company as justified and documented, against invoice submitted once a year on 15 January for the work performed during 12 (twelve) preceding months, such invoice being payable at the latest by 31 March of the year following the respective construction.
- 3.2 Storm Water Services Fees. The Parties have agreed to make the following specifications and amendments in respect of the charges payable for the Storm Water Services:
- 3.2.1 The City shall pay to the Company for the Storm Water Services for the year 2006 the gross sum of 35,460,953 (thirty-five million four hundred and sixty thousand nine hundred and fifty-three) kroons (this includes VAT).
- 3.2.2 The Parties will use an agreed formula for calculation of the annual charges for the Storm Water Services, whereas the formula along with a detailed overview of division of costs related to drainage of Storm Water in Tallinn has been appended hereto as Appendix 3.
- 3.2.3 The formula for calculation of the annual charges for the Storm Water Services (as set out in Appendix 3 hereto) will be used until the end of the current Mandate Period, i.e. 30 November 2015. Each year following the year 2006 the actual costs and measurements of the preceding year shall be used to calculate the actual charges for the Storm Water Services on the basis of the formula set out in Appendix 3 hereto.

- 3.2.4 The form of payment for the Storm Water Services will remain the same as set out in the Storm Water Agreement, except that the invoices for any years' first three quarters shall be based on the previous years' actual costs and measurements and the invoice for any years' last quarter shall be adjusted to take into account the actual costs and measurement as at year end. The invoice for the last quarter shall be payable by the City by 31 March of the following year.

#### **4. Fire Hydrant and Water Extraction Services**

- 4.1 Fire Hydrant and Water Extraction Services Fees. The Parties have agreed to make the following specifications and amendments in respect of the charges payable for the Fire Hydrant and Water Extraction Services:
- 4.1.1 The City shall pay to the Company for the Fire Hydrant and Water Extraction Services for the year 2006 the gross sum of 3,421,349 (three million four hundred and twenty-one thousand three hundred and forty-nine) kroons (this includes VAT) which will be increased by the change in the consumer price index as set out in Clause 7.2 of the Fire Hydrants Agreement.
- 4.1.2 The Parties will use an agreed formula for calculation of the annual charges for the Fire Hydrant and Water Extraction Services, whereas the formula along with a detailed explanation note on calculation of costs incurred in order to provide Fire Hydrant and Water Extraction Services has been appended hereto as Appendix 4.
- 4.1.3 The formula for calculation of the annual charges for the Fire Hydrant and Water Extraction Services (as set out in Appendix 4 hereto) will be used until the end of the current Mandate Period, i.e. 30 November 2015. Each year following the year 2006 the actual costs and measurements of the preceding year shall be used to calculate the actual charges for the Fire Hydrant and Water Extraction Services on the basis of the formula set out in Appendix 4 hereto.
- 4.1.4 The charges payable for the Fire Hydrant and Water Extraction Services for the year 2006 and the following years until the end of the current Mandate Period shall take into account the following costs and principles:
- 4.1.4.1 actual maintenance costs of Fire Hydrants incurred by the Company;
- 4.1.4.2 actual costs of annual pressure checks in Fire Hydrants incurred by the Company;
- 4.1.4.3 depreciation cost of Fire Hydrants, whereas the Parties agree that the Fire Hydrants have 50 (fifty) years life;
- 4.1.4.4 costs of water used for fire fighting and extracted from Water Extraction Points.
- 4.1.5 The form of payment for the Fire Hydrant and Water Extraction Services will remain the same as set out in the Fire Hydrants Agreement, except that the invoices for any years' first three quarters shall be based on the previous years' actual costs and measurements and the invoice for any years' last quarter shall be adjusted to take into account the actual costs and measurement as at year end. The invoice for the last quarter shall be payable by the City by 31 March of the following year.

## **5. Unowned Pipes**

- 5.1 The Parties and the Investor have agreed to extend the deadline for establishment of personal right of use for the Pipes and transfer of ownership of the Pipes to the Company until 1 January 2008.
- 5.2 For avoidance of doubt, the Parties and the Investor acknowledge that the deadline set forth in Clause 5.1 above shall not apply to such Pipes in respect of which the City has served an EU Project Notice according to the EU Funds Agreement and the deadline shall be amended respectively.

## **6. Customer Pipes**

- 6.1 The Parties will establish a working group the objective of which is to review the existing data about the chain of buildings whose private water supply and sewerage network has a single point of connection to the public water supply and sewerage system and to offer solutions for signing of direct connection and services contracts with all registered immovables.
- 6.2 The initiative of arranging working groups' meetings and work will lie with the City. A Deputy Mayor will chair the working group meetings. Specialists from the Company will participate in the work of the working group.
- 6.3 The working group will report on this matter to the Parties at the latest by 30 June 2005.

## **7. Levels of Service WS7A**

- 7.1 The Parties have agreed to amend the Levels of Service WS7A. The new version of the Levels of Service WS7A (including provisions on requirements, monitoring and reporting, penalties) has been appended hereto as Appendix 5 and will replace in full the current version of the Levels of Service WS7A as set out in the Services Agreement and its appendixes.

## **8. Final Provisions**

- 8.1 This Agreement shall enter into force as of the date of signing by the Parties and the Investor and shall remain effective until the expiration or termination of the Services Agreement.
- 8.2 In the event of a conflict between any provision of this Agreement and any Project Agreement, the provisions of this Agreement shall prevail and shall be applied. All other provisions of the above referenced agreements shall continue to apply to the extent not modified by this Agreement.
- 8.3 For avoidance of doubt, the Parties agree that the principle set out in Clause 8.2 above shall not apply in respect of the EU Funds Agreement, i.e. this Agreement shall not in

any way modify the agreement between the City and the Company set out in the EU Funds Agreement.

- 8.4 The laws of the Republic of Estonia shall govern this Agreement.
- 8.5 Any dispute between the Parties and/or the Investor that cannot be resolved amicably shall be referred to arbitration and shall be resolved pursuant to the procedure set forth in Clauses 36 and 37 of the Services Agreement, as amended.
- 8.6 As at the time of signing this Agreement has the following Appendixes:
- Appendix 1 – Network Extension programme;
  - Appendix 2 – Reimbursement of Network Extension Costs;
  - Appendix 3 – Overview of the cost distribution that is related to Storm Water discharge in Tallinn;
  - Appendix 4 – Explanation note on calculation of costs incurred in order to provide Fire Hydrant and Water Extraction Services;
  - Appendix 5 – New version of the Levels of Service WS7A.


**IN WITNESS WHEREOF** the City has signed this Agreement in Tallinn, Republic of Estonia on 14 March 2005 and the Investor and the Company on 22 March 2005

**City of Tallinn**

**United Utilities (Tallinn) B.V.**



Peep Aaviksoo  
Vice Mayor



David John Kilgour  
Authorised Representative

**AKTSIASELTS  
TALLINNA VESI**



Robert John Gallienne  
Chairman of the Management Board

## APPENDIX V

to the Agreement on amending the Services Agreement, the 30 September 2002 Agreement, the Storm Water Agreement and the Fire Hydrants Agreement

### LoS WS7A – Unplanned Interruptions

#### *Requirements*

Beginning from the beginning of year 2005, the discontinuation of water supply to the Clients due to unplanned interruptions shall be decreased to a maximum of 12 hours for any single unplanned interruption.

For any discontinuation of water supply for more than 5 hours, the Company shall provide the Client with alternative source of water supply.

#### *Monitoring and Reporting*

The duration of the unplanned water supply interruption shall be measured by the Company individually for every Client of the Company.

The Company is required to report the number of unplanned interruptions above and below 12 hour limit in its Operating Area annually, starting from 1<sup>st</sup> July 2002. The reports should be presented to the City no later than 90 days after the end of the calendar year under review. For interruptions exceeding 5 hours the provision of alternative water supply arrangements shall also be detailed.

#### *Penalties*

The first category of penalty shall be deleted. The only penalty for LoS WS7A shall be as follows:

Unplanned interruptions	Maximum 12 hrs per single interruption	Per hrs failure per Client	50	8
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