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**KEVIN A. THOMPSON**  
General Counsel

December 20, 2007

Judy Kelley  
Aqua Maine, Inc.  
855 Rockport Street  
Rockport, ME 04856

Dear Ms. Kelley:

This letter is in response to Aqua Missouri, Inc.'s rate increase filings. The case numbers assigned to your filing are as follows:

- QW-2008-0004 Aqua Missouri – CU, water districts:
  - Maplewood and Lake Carmel
- QS-2008-0005 Aqua Missouri – CU, sewer districts:
  - Jefferson City area
  - Maplewood
- QS-2008-0006 Aqua Development Co. d/b/a Aqua Missouri sewer district:
  - Ozark Meadows
- QW-2008-0007 Aqua-RU Inc. d/b/a Aqua Missouri, water districts:
  - Riverside
  - Spring Valley
  - Estates
  - Ozark Mountain
  - White Branch
  - Lakewood Manor
  - Rankin Acres
  - LTA

John Cassidy and Lisa Hanneken are the Staff auditors that will be performing a review of the Company's books and records related to all of these cases as detailed above. Guy Gilbert, of the Commission's Engineering and Management Services Department, will evaluate the existing depreciation rates. Matt Barnes, a member of the Commission's Financial Analysis Department will determine rate of return and capital structure.

Listed below are some of the items we will need to perform the audit. In addition to providing the materials detailed below, please provide dates and times, at your earliest convenience, that we can visit your office to review the books and records of Aqua Missouri, Inc.

This letter is to be treated the same as a Public Service Commission data request, which authorizes a 20-day response time to request information. For the purpose of this audit, we recommend a test year of 12 months ending September 30, 2007, with an update through December 31, 2007.

Please provide copies (in electronic format when possible), or make available for our review, the following documents, which should clearly distinguish between the separate rate districts, as well as between the local district level and any allocated costs from a total Missouri, regional or national level:

1. For each water rate district, provide a list of each well, the number of customers served by the rate district, and a brief description of the operations. Identify and provide dates of any major improvements made at each rate district that have occurred since March 2005.
2. For each sewer rate district, provide a list of each treatment facility, the number of customers served, and a brief description of the type of operations at the facility (e.g. lagoon, mechanical treatment, number of lift stations, etc.) Identify and provide dates of any major improvements made at each rate district that have occurred since March 2005.
3. For all non-regulated entities in Missouri, please give a detailed description of each including: their location, type (e.g. water, sewer), number of customers served and other such descriptive information
4. Summary of current water and sewer tariff rates, by rate district. Including, but not limited to, fees for connections, meter tests, inspections, returned checks, etc; by district
5. Detailed listing of all outstanding customer deposits received, by month, by district, from customers for the 30 months ended September 30, 2007
6. Customer numbers, by month, by meter size for each water district for the 12 month ended September 30, 2007. Update by month on an ongoing basis.
7. Gallons of water sold by customer, by month, by district, for the period covering January 1, 2005 through December 31, 2007
8. Master meter reads, by month, for each well at each system, grouped by district for the period covering January 1, 2005 through December 31, 2007
9. Billing register, by month, by individual tariff items for each water district for years 2005, 2006 and 2007, include any supporting calculations
10. Customer numbers, by month, by meter size for each sewer district for the 12 month ended September 30, 2007. Update by month on an ongoing basis.
11. Billing register, by month, by individual tariff items for each sewer district for years 2005, 2006 and 2007, include any supporting calculations
12. Copy of all DNR annual discharge permits and fees for 2005, 2006 and 2007, for each sewer system, by district
13. Copy of DNR inspection reports for 2007 or most current DNR inspection report(s) for each sewer system
14. Copies of all DNR violations applicable to any Aqua Missouri, Inc. system since 2005
15. Copy of the 2006 Aqua America Annual Stockholder Report
16. Detailed General Ledger that lists per book revenue and expenses for the 30 months ended September 30, 2007, by district, or if any items were allocated to the districts, please include the methodology used and reasons for allocation. Update by month on an ongoing basis.

17. Check Register, vendor lists and invoices for the 30 months ended September 30, 2007, by district if applicable, or if any of the items were allocated to the districts, please include the methodology used and reasons for allocation. Update by month on an ongoing basis.
18. Contracts for vendors that provide services to Aqua Missouri, Inc., by district. If the services are allocated to the districts, please include the methodology used and reasons for allocation
19. Detail description of all known increases/decreases in ongoing costs that have occurred or will occur during the period of October 1, 2006 and December 31, 2007
20. Detail description of any known increases/decreases in ongoing costs that are certain to occur in the future that can be currently identified
21. Copies of the company's 2005 and 2006 Federal and State Income Tax returns
22. Property, real estate, and corporate franchise tax receipts and dates paid for 2005 and 2006. For 2007, please provide a paid tax receipt with date paid, if possible, or provide either the tax bill or any assessment that was filed. Each of these items should detail which district it is related to
23. Invoices and payment dates for chemicals to treat water, by month, for the period covering January 1, 2005 through December 31, 2007, by district
24. Invoices and payment dates for sludge removal, by month, for the period covering January 1, 2005 through December 31, 2007, by sewer district
25. Utility bills and the payment dates, by month, for the period covering January 1, 2005 through December 31, 2007, by water and sewer district
26. Current invoices and amounts for annual billings, by district, for the following: property insurance, liability insurance, health insurance and workmen's compensation insurance. Include any contracts that have been executed but do not go into effect until a later date.
27. Current invoices for grounds maintenance/grass cutting and equipment maintenance, by district, for the period covering January 1, 2005 through December 31, 2007
28. Vehicle and equipment logs, by district, for the 12-months ended September 30, 2007. Provide updates through December 31, 2007.
29. Detailed list with descriptions, dates, amounts and vendor information of all rate case expenses related to the current filing
30. List of all current Aqua Missouri, Inc. employees, by district. For each employee include:
  - a. a job description
  - b. hire date
  - c. any licenses held (e.g. C.P.A., operator's license with class specified, etc.)
  - d. annual salary and/or wage rate
31. List of any employees employed between January 1, 2005-current which no longer work for Aqua Missouri, Inc. Include a notation of reason for leaving (e.g. retired, resigned, etc) and termination date.
32. A historical listing of all salary and/or wage rate increases for current employees, since January 1, 2005, by employee.
33. Detailed time sheets for all employees, for the period covering January 1, 2005 through December 31, 2007. This information should be detailed on an hourly level, by system and district. In addition, please detail all non-utility hours recorded.
34. Detailed list of all additional compensation for each employee for the 12-months ending September 30, 2007. This includes any additional monies or other compensation received above the employee's normal salary/wages. It may include, but is not limited to, incentive compensation, stock options, and bonuses of any type. Updated through December 31, 2007.
35. Detailed list of all employee benefits (excluding additional compensation and pensions, but including and not limited to: 401K matching, tuition reimbursement, health, life insurance, etc.), please list the cost for each item by employee.

36. Detailed list of all employee pension benefits including any Other Post Employment Benefits (e.g. medical coverage accounts such as a VEBA, etc), please list the cost for each item by employee
37. Accumulated plant, depreciation reserves and current depreciation rates ending September 30, 2007, by account, by district. If any of the items were allocated to the districts, please include the methodology used and reasons for allocation. Update by month through December 31, 2007.
38. Historical salvage and cost of removal amounts for years 2005, 2006 and through September 30, 2007. Update by month through December 31, 2007.
39. Detailed description and the amounts of contribution in aid of construction, by district, for the period ending September 30, 2007 and updated through December 31, 2007.
40. Any major investments/expenditures since January 1, 2005 or planned in the future
41. Detailed description and the amounts of customer advances for construction, by district, through December 31, 2007
42. Copies of all correspondence with customers, other than billing, for 2006 and 2007
43. All customer complaints for 2005, 2006 and 2007
44. Detailed description of transactions between Aqua Missouri, Inc. and any affiliates and/or any owners of such affiliates
45. Provide a copy of all service contract agreements between Aqua Missouri – CU, Aqua Development Co d/b/a Aqua Missouri, Aqua-RU Inc d/b/a Aqua Missouri and any parent or affiliated entity
46. Copy of all procedures and methodology utilized in allocating affiliate costs and/or investments to Aqua Missouri – CU, Aqua Development Co d/b/a Aqua Missouri, and/or Aqua-RU Inc d/b/a Aqua Missouri
47. Copy of all procedures and methodology utilized in allocating corporate (national, regional or other level) costs and/or investments to Aqua Missouri – CU, Aqua Development Co d/b/a Aqua Missouri, and/or Aqua-RU Inc d/b/a Aqua Missouri
48. Copy of all procedures and methodology utilized in allocating Missouri-level costs and/or investments to each district
49. In reference to the above listed cases, please provide for Aqua America, Inc. on a consolidated basis, the following information as of September 30, 2007; and updated through December 31, 2007 as the information becomes available.
  - a. Total amount of Common Equity
  - b. Total amount of Preferred Stock
    - i. Embedded cost of Preferred Stock
  - c. Total amount of Long-Term Debt
    - i. Embedded cost of Long-Term Debt
  - d. Total amount of Short-Term Debt
    - i. Average Short-Term Debt Interest paid the 12-months ending September 30, 2007
  - e. Total amount of Construction Work in Progress for the 12-months months ending September 30, 2007
  - f. Total amount of any other sources of capital and their respective costs (e.g. Hybrid Securities, Trust originated Securities, etc.)
    - i. Name and describe each security
50. Please provide the following concerning Aqua America Call Centers:
  - a. Identify all call centers in place for Aqua America. Indicate a date when each call center was formed, when operations began, when each entity (both regulated and unregulated) served by a call center joined each call center. Also indicate when any additional entities will be joining a call center in the future.
  - b. Provide an explanation and chronology of the reasons and events that resulted in the need to form each call center as well as the need for Aqua-Missouri to join a call center.

- Identify all individuals who made the decision to form each regional call center and the date the decision was made. Provide all supporting documentation that was relied upon to create the call center.
- c. Identify all individuals who made the decision for Aqua-Missouri to join a regional center and the date when that decision was made. Provide all supporting documentation that was relied upon to create the call center.
  - d. Identify all entities, regulated and non-regulated, that receive service and share in an allocation of the costs related to each call center.
  - e. Identify which call center(s) handle Aqua Missouri customer calls.
  - f. For the call center(s) that serve Aqua Missouri, provide a monthly report which shows the number of calls that were handled by the call center(s) broken down between subsidiaries served by the call center(s) for the period covering 1/1/06 through 12/31/07.
  - g. Provide a cost benefit analysis that quantifies the cost savings received by Aqua-Missouri as a result of transitioning to a regionalized call center function from a localized call center function. Provide all supporting calculations and documentation that support the cost savings and that were relied upon in making the decision that Aqua Missouri should join a regionalized call center function. Also provide all calculations showing "as was" Aqua Missouri call center costs as were previously performed locally versus the new "as is" Aqua Missouri costs now performed on the regional call center level.
  - h. Quantify and describe all call center charges allocated to Missouri by month from October 1, 2006 through December 31, 2007. Provide the allocation basis to allocate the investment to Missouri (i.e. number of customers, number of calls by state etc.). Break down allocations between direct and indirect charges.
  - i. Quantify and describe in detail all call center investment allocated to Aqua Missouri as of December 31, 2007. Indicate the date when any such investment was allocated to Missouri. Provide the allocation basis to allocate the investment to Missouri (i.e. number of customers, number of calls by state etc.).

This list may not be a complete listing of all items needed to complete our audit. If we require additional materials we will notify you. It would be beneficial if when providing the above information you could include the name, phone number and email address of the individual(s) who can answer any questions that may arise (e.g. explanation of the information, calculation errors, unreadable copies, unclear descriptions, etc.).

If you have any questions or concerns, please contact either John or myself by telephone or email at your convenience. John can be reached at (314)-877-2778 ext.-227 (email: [john.cassidy@psc.mo.gov](mailto:john.cassidy@psc.mo.gov)) and Lisa can be reached at (314)-877-2778 ext.-228 (email: [lisa.hanneken@psc.mo.gov](mailto:lisa.hanneken@psc.mo.gov)). Thank you for your attention to our requests and we look forward to working with you on this project.

Sincerely,

Lisa Hanneken  
Utility Regulatory Auditor