



May 13, 2005

Aqua America, Inc.
762 W. Lancaster Avenue
Bryn Mawr, PA 19010

Kathy L. Pape
Vice President,
Treasurer and Rate Counsel

Via FedEx

Dale Hardy Roberts, Secretary
Missouri Public Service Commission
Attn: Data Center
P.O. Box 360
Jefferson City, MO 65102

RECEIVED⁴

MAY 17 2005

Records
Public Service Commission

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www.aquaamerica.com

RE: Aqua Missouri, Inc.
Request for Increases in Annual Sewer and Water System Operating Revenues
MO PSC Sewer Utility & Water Utility Small Company Rate Increase Procedures

Dear Secretary Roberts:

Aqua Missouri, Inc. ("Company") holds certificates of public convenience and necessity granted by the Missouri Public Service Commission ("Commission"), under which the Company provides sewer collection and treatment services and water supply and distribution services in Callaway, Pettis and Cole Counties, Missouri. The Company currently provides service to approximately 2,021 sewer customers and approximately 472 water customers in its certificated areas in accordance with its Commission-approved tariffs. The Company's rates for sewer service are currently the same as those established when the Commission authorized AquaSource to adopt the former Capital Utilities, Inc. tariffs on file with the Commission on April 13, 1999 to provide regulated sewer utility service. The Company's rates for water service are currently the same as those established when the Commission authorized AquaSource to adopt the former Capital Utilities, Inc. tariffs on file with the Commission on April 13, 1999.

Pursuant to 4 CSR 240-3.330 and 4 CSR 240-3.635, the Commission's rules pertaining to rate increase requests made by small sewer and water utilities, respectively, the Company is hereby requesting an increase of \$568,675 in its annual sewer system operating revenues and an increase of \$65,209 in its annual water system operating revenues. Based on current customer rates and customer numbers, this increase represents approximately 118% in the Company's annual sewer system operating revenues and approximately 120% in the Company's annual water system operating revenues. The filing reflects a consolidation of the revenue requirements of Aqua Missouri, Inc., Aqua/RU, Inc. and Aqua Development Company. The Company is consolidating all of its Missouri rates into one uniform tariff, whereby Aqua Missouri, Inc., Aqua/RU, Inc. and Aqua Development Company will share one single tariff.

The Company believes that single tariff pricing is appropriate and in the best interest of the Company and its customers. The water and wastewater systems depict the most difficult facts of the capital intensive water and wastewater utility industry---too many, too small and no economies of scale. In all of Missouri, the three legal entities serve only 1,581 water and 2,037

Missouri Public Service Commission
Re: Increase in Operating Revenues
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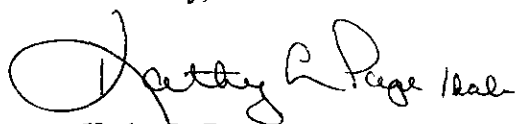
wastewater customers. One of the companies, Aqua Development, serves only 16 customers. The 3,600 customers are spread among 67 systems, 10 of which are water and 57 of which are wastewater. The number of customers served by each wastewater system ranges from 3 to 424 and the number of water customers per system ranges from 49 to 423. All water operations are served by a groundwater source of supply and storage and are otherwise operationally similar. All of the wastewater systems are serviced by small plants and are otherwise operationally similar. Management support for all of the water and wastewater systems is the same. Likewise, although the Company's eleven utility workers are geographically assigned, all are available and trained to provide service to any of the 67 systems. None of these systems could borrow funds on its own nor could they sustain the costs of any capital or increased expense.

The specific reasons for the requested increases in the Company's annual operating revenues for sewer service include: increases in utility plant investment; increases in operation and maintenance expenses; increases in the Commission's annual utility assessments; increases in the Department of Natural Resources' annual sewer discharge permit fees; changes in the number and type of customers served; and other inflationary pressures,

Finally, please be advised that the Company is current on the payment of its Commission annual assessments (all past and current assessments have been paid in full and the filing of its Commission annual reports). Additionally, the Company will remain current on these items during this small company rate increase procedure.

Thank you for your attention to this important matter. Please contact me at your convenience if you need additional information regarding this request.

Sincerely,

A handwritten signature in black ink, appearing to read "Kathy L. Pape". The signature is fluid and cursive, with a large initial "K" and a stylized "P".

Kathy L. Pape
Vice President, Treasurer and
Rate Counsel

Copies: Dale Johansen, Manager, Water and Sewer Dept.
Jim Merciel – Water and Sewer Dept.
Jim Russo – Water and Sewer Dept.
Ruth O'Neill – Office of the Public Counsel