

**BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI**

In the matter of the Joint Application of)
AquaSource/RU Incorporated D/B/A Aqua)
Missouri, Inc. and LTA Water Company for)
Authority for AquaSource/RU Incorporated) Case No.
D/B/A Aqua Missouri, Inc. to Acquire)
Certain Assets of LTA Water Company)

JOINT APPLICATION

COME NOW AquaSource/RU Incorporated d/b/a Aqua Missouri, Inc. ("Aqua Missouri") and LTA Water Company ("LTA") (collectively referred to as "Joint Applicants") by and through their counsel, and for their Joint Application pursuant to Section 393.190, RSMo 2000,¹ and 4 CSR 240-3.605, state the following to the Missouri Public Service Commission ("Commission") as their Joint Application:

1. Aqua Missouri, duly organized and existing under the laws of the State of Missouri, is a subsidiary of AquaSource, Inc., which, in turn, is a subsidiary of Aqua America, Inc., a Pennsylvania based water company. Aqua Missouri furnishes regulated water service to approximately 960 customers in various locations in Missouri. Aqua Missouri's Certificate of Good Standing from the Office of the Missouri Secretary of State was filed in Case No. WO-2004-0251 and is hereby incorporated by reference. Aqua Missouri's corporate headquarters are located at 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010-3489, and its local

¹All statutory references are to Revised Statutes of Missouri 2000, unless otherwise indicated.

business office is located at 5400 Bus. 50 West, Suite 3, Apache Flats, Jefferson City, Missouri 65109.

2. LTA Water Company, a Missouri corporation, furnishes regulated water services to approximately 92 customers in portions of Branson Township, Taney County, Missouri. LTA's Certificate of Good Standing from the Office of the Missouri Secretary of State is attached as Appendix 1 and is hereby incorporated by reference. LTA's local business office is located at 163 Orlando Rd., Kirbyville, Missouri 65679. The Commission granted LTA a Certificate of Convenience and Necessity to serve this area in Case No. WA-81-235 (October 5, 1981).

3. All correspondence, pleadings, orders, and documents in this proceeding should be addressed to:

James M. Fischer
Fischer & Dority, P.C.
101 Madison Street
Suite 400
Jefferson City, Missouri 65101
Telephone: (573) 636-6758
Email: jfischerpc@aol.com

Kathy L. Pape
Aqua America
762 West Lancaster Ave.
Bryn Mawr, PA 19070

Tena Hale-Rush
Aqua Missouri
5400 Bus. 50 West, Suite 3
Apache Flats, Jefferson City, Missouri 65109

Jean Liscum, President
LTA Water Company
163 Orlando Rd.
Kirbyville, MO 65679

4. Pursuant to an Assets Purchase Agreement, dated June 30, 2004 (the "Agreement")(attached as Appendix 2 and filed under seal since it contains proprietary information), Aqua Missouri proposes to obtain and acquire certain assets of LTA as specifically described in the Agreement under the terms and provisions further described in the Agreement.

5. Because LTA is a water corporation doing business in the State of Missouri, it is subject to the provisions of Section 393.190.1, RSMo 2000, which states, in pertinent part, that "no . . . water corporation . . . shall hereafter sell, assign, lease, transfer, mortgage or otherwise dispose of or encumber the whole or any part of its franchise, works or system, necessary or useful in the performance of its duties to the public . . . without having first secured from the Commission an order authorizing it so to do."

ADDITIONAL INFORMATION

6. A certified copy of the resolutions of the Board of Directors of Aqua Missouri and LTA authorizing the consummation of the transactions contemplated by this Application is attached hereto as Appendix 3 and incorporated herein by reference.

7. A balance sheet and income statement with adjustments showing the results of the acquisition of the property for Aqua Missouri will be marked as Appendix 4, and made a part hereof for all purposes.

8. The proposed transaction will not impact any of the tax revenues of the Missouri political subdivisions in which any structures, facilities, or equipment of LTA are located.

9. The Joint Applicants have no pending actions or final unsatisfied judgments or decisions against them from any state or federal agency or court which involve customer service or rates which has occurred within three (3) years of the date of the Application

10. No annual reports or assessment fees for LTA and Aqua Missouri are overdue in Missouri.

PUBLIC INTEREST

11. The proposed purchase of the assets of LTA by Aqua Missouri is not detrimental to the public interest because the sale will not result in any reduced level of service or reliability or a change in the rates for those customers being served by LTA. In fact, the customers of LTA should over time experience an improvement in the quality of their day-to-day utility service.

12. The Joint Applicants also respectfully request a review of the Joint Application by the Commission Staff to enable the Joint Applicants to receive an Order authorizing the purchase of the LTA assets, effective by October 31, 2004, if possible.

WHEREFORE, Joint Applicants respectfully request that the Commission issue its Order approving the transactions described herein, including:

- (a) Authorizing Aqua Missouri to acquire the assets identified herein of LTA;
- (b) Authorizing the transfer of the certificate of convenience and necessity granted to LTA in Case No. WA-81-235 (October 5, 1981) to Aqua Missouri, or in the alternative, granting a certificate of convenience and necessity for the area presently served by LTA;
- (c) Authorizing LTA to discontinue providing water services to its existing customers as of the date of transfer of the assets, and allow Aqua Missouri to commence providing water services to these customers as of the date of transfer of the assets;
- (d) Authorizing Aqua Missouri and LTA to enter into, execute and perform in accordance with the terms of the Agreement attached to this Joint Agreement and to take any and

all other actions which may be reasonably necessary and incidental to the performance of the acquisition; and

(e) Granting such other relief as may be deemed necessary to accomplish the purpose of the Agreement and the Joint Application and to consummate related transactions in accordance with the Agreement.

Respectfully submitted,

/s/ James M. Fischer

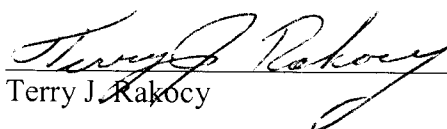
James M. Fischer Mo. Bar No. 27543
Fischer & Dority, P.C.
101 Madison Street, Suite 400
Jefferson City, Missouri 65101
Telephone: (573) 636-6758
Fax: (573) 636-0383
Email: jfischerpc@aol.com

ATTORNEYS FOR
JOINT APPLICANTS


VERIFICATION

STATE OF ILLINOIS)
) ss.
COUNTY OF)

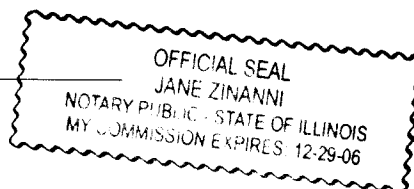
Terry J. Rakocy, being first duly sworn, on his oath and in his capacity as President, of AquaSource/RU Incorporated d/b/a Aqua Missouri, Inc. states that he is authorized to execute this Application on behalf of AquaSource/RU Incorporated d/b/a Aqua Missouri, Inc. and has knowledge of the matters stated herein, and that said matters are true and correct to the best of his knowledge and belief.


Terry J. Rakocy

Subscribed and sworn to before me this 21st day of July, 2004.


Notary Public

My Commission Expires: 12-29-06



VERIFICATION

STATE OF MISSOURI


)

SS.

COUNTY OF TANEY

)

Jean Liscum, being first duly sworn, on her oath and in her capacity as President, of LTA Water Company states that she is authorized to execute this Application on behalf of LTA Water Company and has knowledge of the matters stated herein, and that said matters are true and correct to the best of his knowledge and belief.


Jean Lisicum

Subscribed and sworn to before me this 1 day of September, 2004.

Christy Ann Lonagan Witham
Notary Public

My Commission Expires:

9/11/04



LTA WATER COMPANY
CERTIFICATE OF GOOD STANDING
APPENDIX 1

STATE OF MISSOURI



Matt Blunt
Secretary of State


CORPORATION DIVISION
CERTIFICATE OF GOOD STANDING

I, MATT BLUNT, Secretary of the State of Missouri, do hereby certify that the records in my office and in my care and custody reveal that

LTA WATER COMPANY
00223432

was created under the laws of this State on the 27th day of August, 1980, and is in good standing, having fully complied with all requirements of this office.

IN TESTIMONY WHEREOF, I have set my hand and imprinted the GREAT SEAL of the State of Missouri, on this, the 30th day of June, 2004


Secretary of State



Certification Number: 6829118-1 Reference:
Verify this certificate online at <http://www.sos.mo.gov/businessentity/verification>

ASSET PURCHASE AGREEMENT

BY AND BETWEEN

LTA WATER COMPANY

AND

AQUASOURCE/RU INC. D/B/A AQUA MISSOURI, INC.

JUNE 30, 2004

**(PROPRIETARY)
(FILED UNDER SEAL)**

APPENDIX 2

RESOLUTIONS OF BOARD OF DIRECTORS
OF
AQUASOURCE/RU, INC.
AND
LTA WATER COMPANY
APPENDIX 3

AQUA SOURCE/RU, INC.
doing business as AQUA MISSOURI, INC.

Resolutions of the Board of Directors
authorizing the acquisition of the
water system assets of
LTA Water Company by
Aqua Source/RU d/b/a Aqua Missouri, Inc.

RESOLVED, that the acquisition by Aqua Source/RU, Inc., d/b/a Aqua Missouri, Inc. (the "Company") of the water system assets of LTA Water Company ("LTA") be and hereby is approved substantially upon the terms and conditions set forth in the draft asset purchase agreement between the Company and LTA, a copy of which is attached hereto and which shall be filed by the Secretary, and it is further

RESOLVED, that the Chairman, President and any Vice President of the Company (an "Officer"), whether acting singly or in combination, be and hereby is authorized, in the name and on behalf of the Company, to negotiate and approve the terms and conditions of a final assets purchase agreement, with such changes or additions from the draft agreement, including the final purchase price, and such other terms and conditions, as any such Officer may deem necessary or desirable, and to negotiate and approve all instruments and documents to be delivered thereunder or in connection therewith and to execute and deliver the same on behalf of the Company, the execution and delivery thereof by any such Officer to be conclusive evidence of such approval; and it is further

RESOLVED, that any such Officer of the Company be and hereby is authorized to file with any federal, state or local governmental agency or authority, on behalf of the Company, any such application or request for consent or approval as such Officer may deem necessary or desirable for the consummation of the transactions contemplated by the Agreement; and it is further

RESOLVED, that any such Officer of the Company be and hereby is authorized and directed to take any and all actions and to execute and deliver on behalf of the Company such other documents as such Officer may deem necessary or desirable in order to carry out the purpose and intent of the foregoing resolutions; and it is further

RESOLVED, that all of the acts of any such Officer of the Company, whether heretofore or hereafter taken or done, which are in conformity with the purpose and intent of these resolutions, shall be hereby in all respects ratified, approved and confirmed.

LTA WATER COMPANY
Resolutions of the Board of Directors
authorizing the sale of the
water system assets of LTA Water Company to
Aqua Source/RU, Inc. d/b/a Aqua Missouri, Inc.

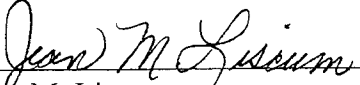
RESOLVED, that the acquisition by Aqua Source/RU, Inc., d/b/a Aqua Missouri, Inc. (the "Company") of the water system assets of LTA Water Company ("LTA") be and hereby is approved substantially upon the terms and condition set forth in the draft asset purchase agreement between the Company and LTA, a copy of which is attached hereto and which shall be filed by the Secretary, it is further

RESOLVED, that the Chairman or President of LTA, Jean M. Liscum (an "Officer"), whether acting singly or in combination, be and hereby is authorized, in the name and on behalf of LTA, to negotiate and approve the terms and conditions of a final assets purchase agreement, with such changes or additions from the draft agreement, including the final purchase price, and such other terms and conditions, as Jean M. Liscum may deem necessary or desirable, and to negotiate and approve all instruments and documents to be delivered thereunder or in connection therewith and to execute and deliver the same on behalf of LTA, the execution and delivery thereof by Jean M. Liscum to be conclusive evidence of such approval; and it is further

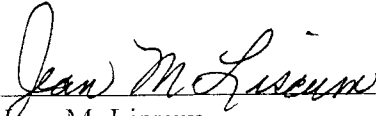
RESOLVED, that Jean M. Liscum be and hereby is authorized to file with any federal, state or local governmental agency or authority on behalf of LTA, any such application or request for consent or approval as Jean M. Liscum may deem necessary or desirable for the consummation of the transactions contemplated by the Agreement; and it is further

RESOLVED, that Jean M. Liscum by and hereby is authorized and directed to take any and all actions and to execute and deliver on behalf of LTA such other documents as Jean M. Liscum may deem necessary or desirable in order to carry out the purpose and intent of the foregoing resolutions; and it is further

RESOLVED, that all of the acts of Jean M. Liscum, whether heretofore or hereafter taken or done, which are in conformity with the purpose and intent of these resolutions, shall be hereby in all respects ratified, approved and confirmed.



Jean M. Liscum
Chairman



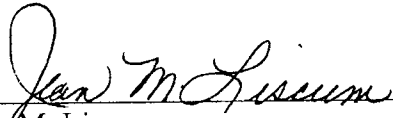
Jean M. Liscum
Secretary

RESOLUTION OF SHAREHOLDERS OF LTA WATER COMPANY

At a special meeting of the shareholders of LTA WATER COMPANY, held pursuant to waiver of notice, the following resolution was unanimously passed:

"Be it resolved that LTA WATER COMPANY sell all of its assets to Aqua Source/RU, Inc., d/b/a Aqua Missouri, Inc., a Missouri Corporation and that Jean M. Liscum be, and is hereby authorized, to execute all documents to facilitate the sale."

There being no further business to come before the meeting, it was adjourned.



Jean M. Liscum
Sole and only shareholder
August 31, 2004

**BALANCE SHEET AND INCOME STATEMENTS OF AQUASOURCE/RU D/B/A
AQUA MISSOURI, INC.**

**WITH ADJUSTMENTS FOR ACQUISITION
OF LTA WATER COMPANY**

APPENDIX 4

Balance Sheet 12/31/03**Assets**

	AquaSource/R.U., Inc.	LTA Water Company	After acquisition
Utility plant	2,882,761	103,055	2,985,816
Utility plant acquisition adjustment		2,856	2,856
Accumulated depreciation	(650,281)	(78,647)	(728,928)
Net utility plant	2,232,480	27,264	2,259,744
Accounts receivable	55,612		55,612
Prepayments	19,842		19,842
Accrued utility revenue	9,671		9,671
Total current assets	85,125	0	85,125
Other assets	0	0	0
Total assets	<u>2,317,605</u>	<u>27,264</u>	<u>2,344,869</u>

Liabilities and Capitalization

Premium on capital stock	2,307,614	25,000	2,332,614
Retained earnings	(635,749)		(635,749)
Total equity capital	1,671,865	25,000	1,696,865
Accounts payable	461		461
Payables to associated companies	23,464		23,464
Taxes accrued	(1,411)		(1,411)
Accrued liabilities	17		17
Total current liabilities	22,531	0	22,531
Contributions in aid of construction	623,209	2,264	625,473
Total liabilities and other credits	<u>2,317,605</u>	<u>27,264</u>	<u>2,344,869</u>

Income Statement - YTD - 12/31/03

	AquaSource/R.U., Inc.	LTA Water Company	After acquisition
Operating revenue	566,797	16,307	583,104
Operation and maintenance expenses	631,981	11,564	643,545
Depreciation and amortization expense	60,709	5,201	65,910
Taxes other than income	8,016		8,016
Total utility expenses	700,706	16,765	717,471
Operating income	<u>(133,909)</u>	<u>(458)</u>	<u>(134,367)</u>
Income tax benefit	52,305	179	52,484
Net income (loss)	<u>(81,604)</u>	<u>(279)</u>	<u>(81,883)</u>