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September 29, 2005

Ms. Tena Hale-Rush
Aqua Missouri, Inc.
P.O. Box 7017
Jefferson City, MO 65102

RE: Lake Carmel Sewer System

Dear Ms. Hale-Rush:

I am writing this letter as a follow-up to the meeting on August 29 at the DNR's offices. In particular, I am providing the Water & Sewer Department Staff's perspective of what Aqua Missouri, Inc. (AquaMo) needs to accomplish regarding sewer service in the Lake Carmel service area. An outline of the actions that the Staff believes are needed is set out below.

* AquaMo must take the actions needed to meet the current need for service to established lots where no extension of collecting mains is necessary for hookup, unless there is documentation in the context of a pipeline extension regarding a need for the developer of such lots to address treatment capacity. As the Staff mentioned on several occasions during the meeting, this issue should not be an issue.

* AquaMo should produce an engineering report that proposes and evaluates options on how to meet new requests for service, particularly the new "phase" of the development, and how such requests may affect the current service provided. As an alternative, AquaMo could utilize the engineering report apparently already produced by the developer.

* Tariff changes can be made, and probably should be made, to allow for a new CIAC charge, investments by AquaMo and investments by the developer, etc. for treatment capacity. These matters need to be discussed by AquaMo and the Staff and AquaMo then needs to propose the actual tariff changes for the Staff's, and eventually the Commission's, consideration and approval.

* Communication on these issues needs to be directly between those persons at AquaMo, locally or corporately, who will make the decisions and the Water & Sewer Department Staff, including a possible phone conference or a meeting at the PSC offices.

I look forward to continued discussions with the appropriate company representatives regarding the matters that are the subject of this letter, or on any other matters that need to be addressed. Please feel free to contact by phone or e-mail if you have any questions about the contents of this letter or if you need something further.

Sincerely,

/s/ Dale W. Johansen

Dale W. Johansen – Manager
Water & Sewer Department

Copies: Keith Krueger
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