

WHN CONSULTING

19 Morning Arbor Place
The Woodlands, TX 77381

February 15, 2006

Ms. Darlene Standley, Chief
Utilities Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

RE: TRA Rulemaking Docket for Wastewater Utilities (05-00105)

Dear Ms. Standley:

We are in receipt of your letter of February 7th requesting information regarding Aqua Utilities Company's ("Aqua's" or the "Company's") estimated financial security cost and monthly rate adjustment applicable to the TRA's rulemaking docket (05-00105) for wastewater utilities. This letter should be considered the Company's response to your request. In order to timely file a response to your request, we are providing one (1) electronic copy by email with another four (4) copies to be delivered by regular mail.

Inasmuch as Aqua's utility assets were provided through an equity investment from its owner, and not through a contribution from third-party developers, the Company presently intends to petition the TRA for an exemption from the security bonding requirements of the proposed rules. Under the current proposed rules, Aqua recognizes that it must file such a petition within seventy-five (75) days of the June 12, 2006 effective date or March 29, 2006.¹ If the Company is successful in its petition, then the estimated monthly customer rate adjustment would be zero (\$0).

In the alternative, if our petition for exemption is unsuccessful, we would propose to fund the cost for of a surety bond via a pass-through mechanism as outlined in the Proposed Rule at 1220-4-13-.07(7). At this time, Aqua is still in the process of obtaining a quote for the financial security required by the TRA. As soon as we do receive a financial security quote, we will immediately forward this information, and its related impact per customer, to the TRA.

Thank you for your timely consideration of this response. Should you have any questions, or need anything further, please do not hesitate to contact me.

¹ See Proposed Rule 1220-4-13-.07(5).

Ms. Darlene Standley
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Sincerely,

A handwritten signature in blue ink, appearing to read "William H. Novak". The signature is fluid and cursive, with a long horizontal stroke at the end.

William H. Novak
Regulatory Agent for
Aqua Utilities Company, Inc.

C: James Clausel