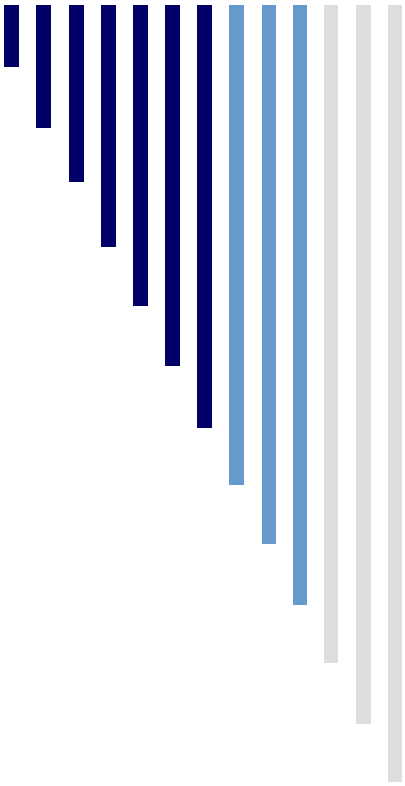
Aqua Exhibit 3.1

Guastella Associates, Inc.



AQUA Illinois

Original Cost Study of Village of Sun River Terrace Water System

as of
June 2007

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June 27, 2007

Mr. Terry Rakocy
Aqua Illinois
1000 Schuyler Avenue
PO Box 152
Kankakee, IL 60901

Dear Mr. Rakocy:

We are pleased to transmit our report as to the original cost study of the water system of the Village of Sun River Terrace.

Our report summarizes the results or our work, which produced an estimate of original cost less depreciation in the amount of $444,200. The methodology is explained in the text of the report, and specific calculations, along with an aged inventory, are attached. We hope this report will assist your consideration of the acquisition of that water distribution system.

Please advise if you have any questions. We appreciate this opportunity to provide consulting services for this project.

Respectfully submitted,
GUASTELLA ASSOCIATES, INC.

John M. Guastella
Director – Rates and Valuation

John F. Guastella
President

General

The purpose of this study is to determine the original cost less depreciation of the physical assets of the water system of the Village of Sun River Terrace ("Village"). The Village's water system is located in Ganeer Township, Kankakee County, seven miles east of Kankakee. The water system was installed in two phases: (i) Eldorado Terrace in 1959, and (ii) major additions in 1985 – 1986 by the Village. The first phase was installed by an ICC regulated utility named Kankakee Utilities, for an area known as Eldorado Terrace. The water system was purchased by the Village of Sun River Terrace in 1986. The system consists of two shallow wells and a 50,000 gallon elevated water spheroid. Raw water is fluoridated with hydrofluosilicic acid, and disinfected with chlorine gas before being delivered to the distribution system. The exact installation dates of the various system components are not known. The Village's water system is the subject of an asset purchase agreement between the Village and Aqua Illinois, Inc. ("Aqua"). Aqua's water rates are regulated by the Illinois Commerce Commission (ICC) which has relied on original cost rate base (net investment) for rate setting purposes. The ICC's treatment of acquisition prices for rate setting purposes depend on such issues as quality and reliability of service, operation efficiencies, economies of scale, impact on water rates and various cost considerations. The major consideration, however, is the net original cost (cost less depreciation) of the assets to the person or entity first devoting them to public use.

The focus of this report is to estimate the original cost less depreciation of the water system assets. A summary of our findings is set forth on the next page, which shows the total estimated original cost less depreciation in the amount of $444,200 as of June, 2007.

Aqua Illinois
Village of Sun River Terrace Water System
Original Cost Study - Summary

Account Number	Account Description	2007 Reproduction Cost New	Original Cost	Original Cost Depreciation	Original Cost Less Depreciation
303	Land and Land Rights	$ 4,000	$ 4,000	$ -	$ 4,000
304	Structures and Improvements	$ 46,000	$ 5,000	$ 4,000	$ 1,000
307	Wells and Springs	$ 280,000	$ 28,000	$ 21,300	$ 6,700
311	Electric Pumping Equipment	$ 19,000	$ 9,300	$ 5,600	$ 3,700
320	Water Treatment Equipment	$ 4,500	$ 2,700	$ 1,200	$ 1,500
330	Distribution Reservoirs & Standpipes	$ 188,000	$ 62,700	$ 25,100	$ 37,600
331	Transmission and Distribution Mains	$ 1,633,600	$ 460,400	$ 139,100	$ 321,300
333	Services	$ 181,600	$ 64,000	$ 24,700	$ 39,300
334	Meters	$ 19,800	$ 8,600	$ 1,700	$ 6,900
335	Hydrants	$ 61,500	$ 22,300	$ 7,100	$ 15,200
347	Miscellaneous Plant	$ 19,100	$ 14,700	$ 7,700	$ 7,000
Total		$ 2,457,100	$ 681,700	$ 237,500	$ 444,200

Because the Village does not have records to identify the actual original cost and accumulated depreciation, our estimate is based on a determination of the current reproduction cost and a trending of that cost to the year of original installation, along with an adjustment for depreciation to reflect the current condition of the assets. This method required the development of an aged inventory of the assets, a pricing of that inventory using various current cost and construction data, a trend of the current costs back to the

original year of installation, and an estimate of the current condition of the assets using the ages of the assets and their relationship to the appropriate average service lives.

Inventory

Aqua developed and furnished a substantial inventory of assets on the basis of data provided by the Village, as well as its own analysis, including sources of supply, treatment equipment, pumping equipment, storage facilities, mains by size, type, length, quantities and age, service laterals, meters and hydrants. We analyzed that data and, as necessary, included construction units in order to enable a complete pricing. All quantities were checked as to general reasonableness and were discussed with Aqua personnel. They were also checked for consistency by reference to the water system records. Appendix A contains a detailed list of all quantities (where available) as part of the summary of unit pricing calculations, trending for original cost and adjustments for depreciation.

Pricing

Wherever possible, actual cost data as provided by the company were used as the basis for unit pricing. This type of cost data provides the most reliable indication of current reproduction costs, because local pricing takes into account ground conditions, excavation requirements and various other factors that general pricing models cannot provide with the same degree of accuracy. Pricing for a similarly developed region were used to establish cost requirements for surface restoration. Both published construction cost data and unit cost information from other appraisals were relied on in conjunction with actual data. This approach confirms the reasonableness of the costs and also provides

a range of pricing criteria that is useful in estimating unit costs for various sizes and types of plant items for which specific bids were not available. Using multiple sources to select unit prices improves the reliability of the estimates, and guards against unusual bidding circumstances that may include inappropriately high or low unit prices.

With respect to wells and storage equipment certain original average costs based on appraisals of similar properties and costs experienced by the Aqua for similar assets were increased for omissions and contingencies, engineering, administration, supervision and interest during construction.

With respect to mains, the cost to furnish and install, excavate, backfill, permits and labor were developed on the basis of the average of prices for 2, 4, 6, and 8 inch pipe. Adjustments were made for surface restoration and valves by pricing the overall system and converting the total to a unit cost, by size and length of main. An adjustment was also made to reflect the cost of fittings and other appurtenances for which specific units could not be quantified, and an allowance was made for omissions and contingencies and engineering.

Unit pricing of service laterals includes the cost of pipe or tubing, valve or corporation stop, saddles, fittings, excavation, backfill, surface restoration and labor. An allowance was made for omissions and contingencies, engineering, administration, supervision and interest during construction. Pricing of meters includes both the meter and meter installation. Hydrant costs include the hydrant, pipe, fittings, excavation, backfill and labor, and auxiliary valves. The unit pricing for services, meters and hydrants is based

on current cost experience and, as in the case of mains, pricing is consistent with current industry costs.

Depreciation

Depreciation was estimated in order to reflect the current condition of the assets. Our calculations were based on the age and average service lives of the property. We also allowed for the remaining life of any asset that has an average age greater than the average service life used for that type of asset. The installation dates were supplied by the Aqua with as much detail as available. Average service lives are within the range of industry standards and the range recognized by the ICC for Illinois utilities. Depreciation estimates for assets currently in service but with ages exceeding or near the respective average service lives, were limited to 80% on the basis of judgment in order to recognize the remaining life of the assets. The overall result is that the Village's water system has a depreciated value of approximately 65% of its original cost.

Trending

Because of a lack of information it was not feasible to establish the original cost on the basis of actual cost records. Therefore, a trend of the reproduction cost back to the year of installation was used to determine the original cost. The Handy-Whitman Index of Public Utility Construction Costs was used to develop the trending factors. This method has been a widely-accepted for valuation purposes

Conclusion

The original construction specifications are unknown, and the use of the current cost of installation under existing construction requirements is likely not precisely how the original construction actually occurred. Such differences would tend to overstate the original cost calculation. On the other hand, our reproduction cost figures assume one continuous construction effort instead of the actual original installations that were constructed on a piecemeal basis, which would tend to understate our original cost estimate. It is also likely that the remaining life of all assets will be greater on average than our use of average service lives. This factor would also tend to understate the net original cost value. These unknown factors tend to produce offsetting inaccuracies.

It is our opinion that $444,233 for the Village's water system is a reasonable estimate of the depreciated original cost.

Aqua Illinois
Village of Sun River Terrace Water System
Original Cost Study - Detail

Appendix A

Account Number	Account Description	Description	Detail	Quantity	Unit	Unit Price	Installation Date	2007 Reproduction Cost New	Original Index	2007 Index	Original Cost	Age	Average Service Life	Percent Depreciation	Original Cost Depreciation	Original Cost Less Depreciation
303	Land and Land Rights	Easement	Well House and Productic	1	EA	$ 2,000	1959	$ 2,000	n/a	n/a	$ 2,000	48	n/a	n/a	n/a	$ 2,000
303	Land and Land Rights	Easement	Water Storage Tank	1	EA	$ 2,000	1987	$ 2,000	n/a	n/a	$ 2,000	20	n/a	n/a	n/a	$ 2,000
								$ 4,000			$ 4,000					$ 4,000
304	Structures and Improvements	Well House	Masonry Block w/ shingl	1	EA	$ 46,000	1959	$ 46,000	52	474	$ 5,000	48	60	80%	$ 4,000	$ 1,000
307	Wells and Springs	Well #1	Drilled dolomite well, wit	1	EA	$ 140,000	1954	$ 140,000	41	474	$ 12,100	53	60	80%	$ 9,680	$ 2,420
307	Wells and Springs	Well #2	Drilled dolomite well, wit	1	EA	$ 140,000	1963	$ 140,000	54	474	$ 15,900	44	60	73%	$ 11,660	$ 4,240
								$ 280,000			$ 28,000				$ 21,340	$ 6,660
311	Electric Pumping Equipment	Well #1	165 gpm submersible & 3	1	EA	$ 11,000	1986	$ 11,000	234	474	$ 5,400	21	35	60%	$ 3,240	$ 2,160
311	Electric Pumping Equipment	Well #2	36 gpm submersible & 2"	1	EA	$ 8,000	1986	$ 8,000	234	474	$ 3,900	21	35	60%	$ 2,340	$ 1,560
								$ 19,000			$ 9,300				$ 5,580	$ 3,720
320	Water Treatement Equipment	Chlorination	Superior Gas Chlorinator	1	EA	$ 3,400	1986	$ 3,400	283	521	$ 1,800	21	35	60%	$ 1,080	$ 720
320	Water Treatement Equipment	Fluoridation	P121-430SI LMI - 0.21 g	1	EA	$ 1,100	2003	$ 1,100	441	521	$ 900	4	35	11%	$ 103	$ 797
								$ 4,500			$ 2,700				$ 1,183	$ 1,517
330	Distribution Reservoirs & Standpipes	Spheriod Tank	0.05 MG Chicago Bridge	1	EA	$ 188,000	1987	$ 188,000	219	657	$ 62,700	20	50	40%	$ 25,080	$ 37,620
331	Transmission and Distribution Mains	2"	PVC	7,775	LF	$ 50	1954	$ 388,750	55	489	$ 43,700	53	90	59%	$ 25,734	$ 17,966
331	Transmission and Distribution Mains	4"	PVC	6,024	LF	$ 55	1963	$ 331,320	73	489	$ 49,500	44	90	49%	$ 24,200	$ 25,300
331	Transmission and Distribution Mains	6"	Ductile Iron	6,458	LF	$ 70	1986	$ 452,060	252	494	$ 230,600	21	100	21%	$ 48,426	$ 182,174
331	Transmission and Distribution Mains	6"	Ductile Iron	2,992	LF	$ 70	1960	$ 209,440	75	494	$ 31,800	47	100	47%	$ 14,946	$ 16,854
331	Transmission and Distribution Mains	6"	Ductile Iron	1,554	LF	$ 70	1974	$ 108,780	144	494	$ 31,700	33	100	33%	$ 10,461	$ 21,239
331	Transmission and Distribution Mains	8"	Ductile Iron	1,791	LF	$ 80	1986	$ 143,280	252	494	$ 73,100	21	100	21%	$ 15,351	$ 57,749
				26,594				$ 1,633,630			$ 460,400				$ 139,118	$ 321,282
333	Services	3/4"	Copper	53	EA	$ 950	1959	$ 50,350	47	491	$ 4,800	48	60	80%	$ 3,840	$ 960
333	Services	3/4"	Copper	76	EA	$ 950	1985	$ 72,200	217	491	$ 31,900	22	60	37%	$ 11,697	$ 20,203
333	Services	3/4"	Copper	32	EA	$ 950	1986	$ 30,400	221	491	$ 13,700	21	60	35%	$ 4,795	$ 8,905
333	Services	3/4"	Poly Ethylene	11	EA	$ 890	1985	$ 9,790	217	491	$ 4,300	22	60	37%	$ 1,577	$ 2,723
333	Services	3/4"	Poly Ethylene	14	EA	$ 890	1986	$ 12,460	221	491	$ 5,600	21	60	35%	$ 1,960	$ 3,640
333	Services	3/4"	Poly Ethylene	1	EA	$ 890	2007	$ 890	491	491	$ 900	0	60	0%	$ -	$ 900
333	Services	1"	Copper	2	EA	$ 1,580	1985	$ 3,160	217	491	$ 1,400	22	60	37%	$ 513	$ 887
333	Services	2"	Copper	1	EA	$ 2,310	1995	$ 2,310	289	491	$ 1,400	12	60	20%	$ 280	$ 1,120
				190				$ 181,560			$ 64,000				$ 24,662	$ 39,338
334	Meters	3/4"	Standard	53	EA	$ 250	1960	$ 13,250	64	396	$ 2,100	47	25	80%	$ 1,680	$ 420
334	Meters	3/4"	Standard	26	EA	$ 250	2007	$ 6,500	396	396	$ 6,500	0	25	0%	$ -	$ 6,500
				79				$ 19,750			$ 8,600				$ 1,680	$ 6,920
335	Hydrants	2"	Flushing	3	EA	$ 1,500	1986	$ 4,500	292	645	$ 2,000	21	60	35%	$ 700	$ 1,300
335	Hydrants	6"	Standard	5	EA	$ 3,000	1959	$ 15,000	53	645	$ 1,200	48	60	80%	$ 960	$ 240
335	Hydrants	6"	Standard	3	EA	$ 3,000	1974	$ 9,000	123	645	$ 1,700	33	60	55%	$ 935	$ 765
335	Hydrants	6"	Standard	6	EA	$ 3,000	1985	$ 18,000	282	645	$ 7,900	22	60	37%	$ 2,897	$ 5,003
335	Hydrants	6"	Standard	3	EA	$ 3,000	1986	$ 9,000	292	645	$ 4,100	21	60	35%	$ 1,435	$ 2,665
335	Hydrants	6"	Standard	2	EA	$ 3,000	2005	$ 6,000	584	645	$ 5,400	2	60	3%	$ 180	$ 5,220
				22				$ 61,500			$ 22,300				$ 7,107	$ 15,193
347	Miscellaneous Plant	Safety Equipment	Self Contained Breathing	1	EA	$ 2,500	1986	$ 2,500	102	132	$ 1,900	21	40	53%	$ 998	$ 903
347	Miscellaneous Plant	Master Meter	3" Hersey Model 3074 M	1	EA	$ 1,600	1986	$ 1,600	102	132	$ 1,200	21	40	53%	$ 630	$ 570
347	Miscellaneous Plant	Other	Other	1	EA	$ 15,000	1986	$ 15,000	102	132	$ 11,600	21	40	53%	$ 6,090	$ 5,510
								$ 19,100			$ 14,700				$ 7,718	$ 6,983
	Total							$ 2,457,040			$ 681,700				$ 237,467	$ 444,233