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APPLICATION OF AQUA UTILITIES, §
INC. AND AQUA TEXAS, INC. FOR §
SALE, TRANSFER, OR MERGER OF §
FACILITIES AND TO AMEND §
CERTIFICATES OF CONVENIENCE §
AND NECESSITY IN CHAMBERS, §
JEFFERSON AND LIBERTY §
COUNTIES (GRAY UTILITY §
SERVICE SEWER SYSTEM; 37945-S) §

PUBLIC UTILITY COMMISSION
OF TEXAS

AQUA TEXAS' RESPONSE TO ORDER NO. 4

TO THE HONORABLE ADMINISTRATIVE LAW JUDGE:

COME NOW, Aqua Utilities, Inc. and Aqua Texas, Inc. d/b/a Aqua Texas ("Aqua Texas" or "Applicants") and file this Response to Order No. 1 ("Response"). In support thereof, Aqua Texas would show the following.

I. BACKGROUND

On June 4, 2014, Aqua Texas filed a Sale, Transfer, or Merger ("STM") application with the Texas Commission on Environmental Quality ("TCEQ") to transfer certain certificated sewer service areas and assets from Aqua Utilities, Inc. to Aqua Texas, Inc. as part of a reorganization effort. Since 2010, through a series of STM applications, Aqua Texas has undertaken a process to consolidate all Texas regulated utility assets owned by Aqua America, Inc. subsidiaries under a single subsidiary: Aqua Texas, Inc. d/b/a Aqua Texas. This process is expected to provide greater clarity and efficiency for the Commission, TCEQ, and Aqua Texas from a regulatory and operational standpoint. Thus far, this process is complete for Aqua Texas' North Region and most of its Southeast Region systems. The STM application pending in this docket involves a sewer system acquired from Gray Utility Service, L.L.C. through a previous STM application approved by TCEQ. See TCEQ Final Order, TCEQ Application No. 36696-S (November 2, 2011). Aqua Texas refers to this system as its Southeast Region-Gray ("SE Gray") sewer system.

Effective September 1, 2014, jurisdiction over STM applications seeking sewer utility system asset and CCN transfers from one utility to another was transferred to the Commission. Prior to the June 4, 2014 filing of the pending application, Aqua Texas had a pre-application meeting with the TCEQ Executive Director's ("ED") Staff. Based on those discussions, Aqua Texas believed the

map (which is a map approved by TCEQ for the system proposed for transfer) and the proposed notice document submitted with the pending application complied with directions received from the TCEQ ED Staff for the specific type of STM application submitted. Nevertheless, after Order No. 4 was issued identifying certain “material deficiencies” in the application that must be cured by January 30, 2015, Aqua Texas met with Commission Staff to discuss the necessity of curing each alleged deficiency precisely as ordered and whether an alternative approach might be sufficient given the circumstances of this particular application. This response is filed in line with the agreement reached with Commission Staff in that meeting and confirmed in follow-up discussions.

II. SUPPLEMENTAL APPLICATION INFORMATION PROVIDED

Notwithstanding Commission Staff’s previous recommendations in this docket and directives in Order No. 4 incorporating same, Commission Staff and Aqua Texas have reached an agreement about the items that will now be required for the application pending in this docket. Commission Staff and Aqua Texas agreed that the following items do not need to be filed to cure deficiencies for the application pending in this docket:

- (1) A general location map delineating the proposed service area with enough detail to accurately located the proposed area within each county or counties;
- (2) A map to scale which clearly labels the proposed service area in accordance with P.U.C. SUBST. R. 24.105(a)(2);
- (3) Separate and additional maps of the proposed area to show all facilities, illustrating separate facilities for production, transmission, and distribution of services;
- (4) A written description of the proposed service area;
- (5) Additional proposed notice documents except as provided below; and
- (6) Additional new maps except as provided below.

Conversely, Commission Staff and Aqua Texas agreed that the following items do need to be filed to cure deficiencies for the application pending in this docket:

- (1) Revised copies of the map previously submitted with the caption changed to refer to the pending application so they stand on their own upon review (alternatively, the Commission’s CCN viewer maps may be used since the STM proposes a transfer of certificated service area without change as long as they are clearly labeled). Each service area proposed for transfer needs to

be clearly labeled and highlighted so as not to confuse the CCN area proposed for transfer with other CCN areas in the vicinity.

- (2) A revised proposed notice document that incorporates information specific to the Commission instead of TCEQ.

Accordingly, Aqua Texas hereby files the attached supplemental documents as a means of complying with Commission Staff's directions and curing remaining application deficiencies to the satisfaction of Commission Staff. The revised map is included as **Attachment A**. The revised proposed notice is included as **Attachment B**.

Another issue that was discussed with Commission Staff is Aqua Texas' request to waive public notice for good cause for reasons discussed in its application. This issue was also previously discussed with TCEQ ED staff. Commission Staff and Aqua Texas reached an agreement that, for this application only, mailed notice will only be required to customers of the SE Gray sewer system. No sewer CCN area proposed for transfer is within a municipality and, therefore, no additional notice will be required. Aqua Texas understands that this limited notice requirement is confined to this particular consolidation STM application.

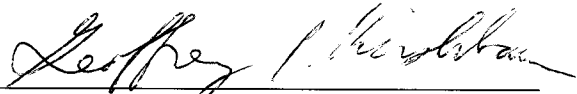
Aqua Texas' understanding is that Commission Staff will review the attached documents and reply with a revised recommendation on administrative completeness. Respectfully, Aqua Texas also requests that Staff specifically address the notice issue. Aqua Texas hopes that submission of the attached documents, followed by Commission Staff's reply, will clear the way for acceptance of the application and further processing, including the notice stage of the STM process.

III. CONCLUSION

Aqua Texas respectfully requests, upon confirmation by Commission Staff, that the ALJ issue an order finding the application administratively complete and directing Commission Staff to continue application processing. If for any reason Commission Staff does not view the attachments as sufficient for application acceptance, Aqua Texas respectfully requests that it be notified immediately and provided an opportunity to cure any remaining deficiencies that are identified.

Respectfully submitted,

THE TERRILL FIRM, P.C.


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**ATTORNEYS FOR AQUA UTILITIES, INC.
AND AQUA TEXAS, INC. D/B/A AQUA TEXAS**

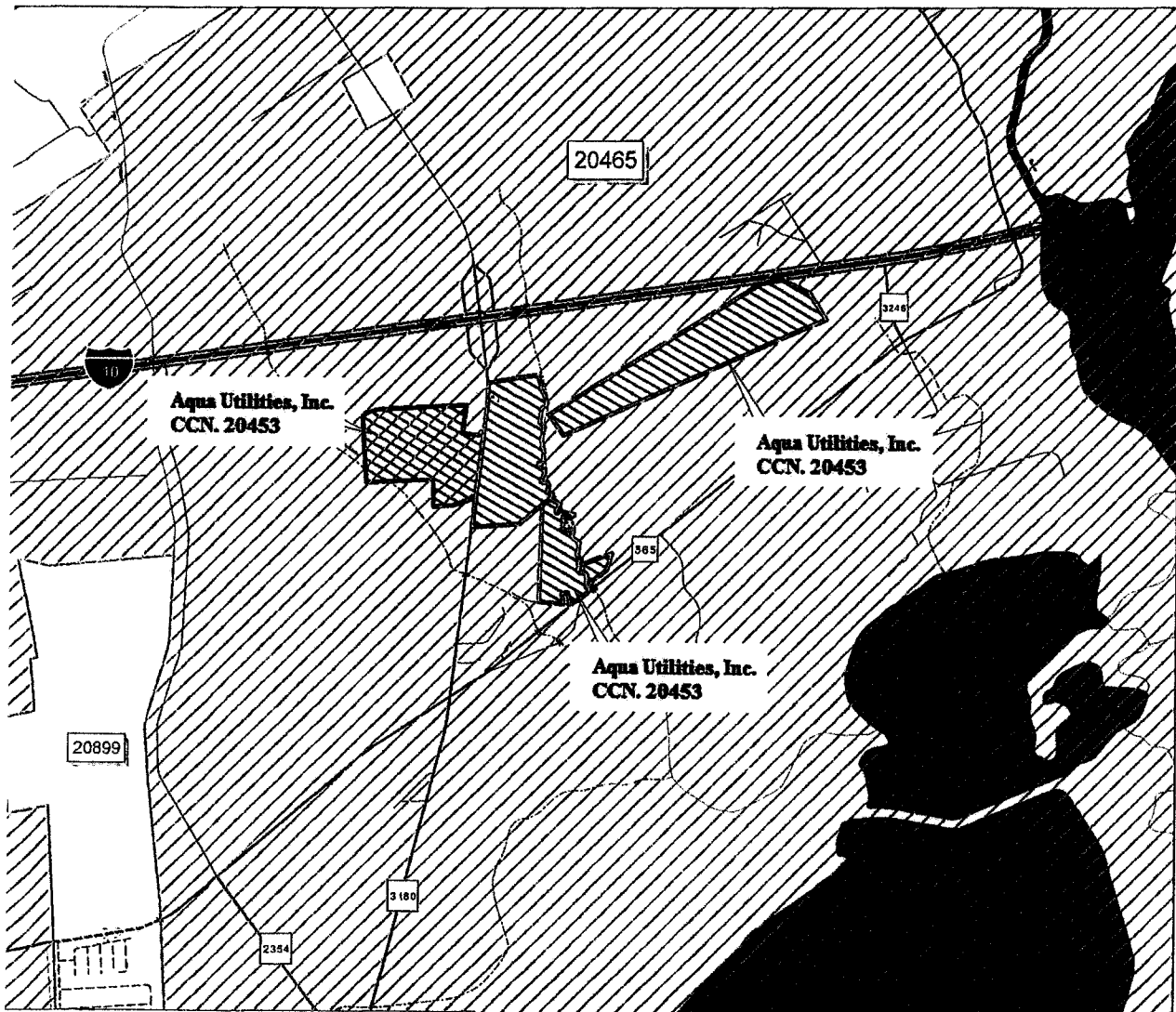
CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on January 30, 2015 in accordance with P.U.C. Procedural Rule 22.74.


Geoffrey P. Kirshbaum

PUC Docket No. 42960 - Aqua Texas, Inc.'s Application to Transfer Southeast Region-Gray Sewer Systems and Service Areas (CCN. 21065)

MAP 1 OF 1



Sewer CCN Service Areas

- 20453 - AQUA UTILITIES INC
- 20465 - GULF COAST WASTE DISPOSAL AUTH
- 20899 - MONARCH UTILITIES I L P

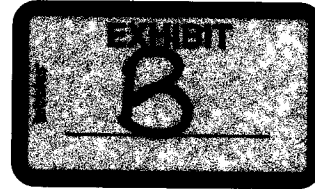
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N

TCEQ

Map by S. Jaster 5/25/2011
Data path: c:\gis\project\shpsforapplications\36696-s.shp
Project path: c:\gis\project\applications\36696-s.apr...

Notice to Current Customers and Cities



Aqua Utilities, Inc. 'S
(Seller's or Transferor's Name)

NOTICE OF INTENT TO SELL FACILITIES AND TRANSFER CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) **11157 and 20453** TO **Aqua Texas, Inc. d/b/a Aqua Texas (CCN Nos. 13203 and 21065)**

(Purchaser's or Transferee's Name)

IN **Chambers, Jefferson, and Liberty** COUNTIES, TEXAS

To: All Affected Aqua Utilities, Inc. d/b/a Aqua Texas Southeast Region-Gray Water and Sewer Customers @ Current Billing Addresses, City of Beach City, Texas, and City of Old-River-Winfree, Texas
Date Notice Mailed February 15, 2015

Aqua Utilities, Inc.	1106 Clayton Lane, Suite 400 W.	Austin, Texas 78723
Sellers or Transferors' Name	Address	City/State/Zip Code

has submitted an application with the Public Utility Commission of Texas to sell facilities and transfer water and sewer CCN Nos. 11157 and 20453 areas in Chambers, Jefferson, and Liberty Counties acquired from Gray Utility Service, L.L.C. to:

Aqua Texas, Inc. d/b/a Aqua Texas	1106 Clayton Lane, Suite 400 W.	Austin, Texas 78723
Purchasers or Transferee's Name	Address	City/State/Zip Code

The sale/transfer is scheduled to take place as approved by the Commission (V.T.C.A., Water Code §13.301).

These transactions will have no effect on current water or sewer customer rates. Also, no impact or change in the quality of service is anticipated as a result of these transactions. However, operating the affected water and sewer systems together under a consolidated corporate entity could ultimately improve the quality of utility service.

Affected persons may file written protests and/or request a public hearing within 30 days of this notice.

To request a hearing, you must:

- (1) state your name, mailing address and daytime telephone number;
- (2) state the applicant's name, application number(s) or another recognizable reference to either of these applications;
- (3) include the statement "I/we request a public hearing";
- (4) write a brief description of how you, the persons you represent, or the public interest would be adversely affected by the proposed transactions and transfers of the CCNs; and
- (5) state your proposed adjustment to the application(s) or CCN(s) which would satisfy your concerns and cause you to withdraw your request for a hearing.

Only those persons who submit a written request to be notified of a hearing will receive notice if a hearing is scheduled. The Commission will issue the CCNs requested in the referenced applications unless a hearing is scheduled to consider the transaction. If no protests or requests for hearing are filed during the comment period, the Commission may issue the CCNs 30 days after publication of this notice.

Persons who wish to protest or request a hearing on either of these applications should write the:

Public Utility Commission of Texas
Central Records
1701 N Congress PO Box 13326
Austin, Texas 78711-3326

Se desea informacion on Espanol, puede llamar al 1-888-782-8477.

Robert L. Laughman, President

Utility Representative

Aqua Texas, Inc. d/b/a Aqua Texas

Utility Name