

7.5. Documents Produced

Seller has delivered to AQUA TEXAS true and complete copies of all the agreements, contracts, commitments, leases, certificates, permits and other instruments, documents and undertakings described in this Agreement.

8. REPRESENTATIONS AND WARRANTIES OF AQUA TEXAS

8.1. AQUA TEXAS hereby represents and warrants to Seller as follows:

8.1.a. Organization. AQUA TEXAS is a corporation duly organized, validly existing, and in good standing under the laws of the State of Texas.

8.1.b. Due Authorization; Valid and Binding. AQUA TEXAS has the full power and lawful authority to execute this Agreement and to consummate and perform the transactions contemplated hereby and has duly and validly authorized the execution of this Agreement by all necessary proceedings. This Agreement constitutes the valid and binding obligations of AQUA TEXAS.

8.1.c. Financial Wherewithal. AQUA TEXAS has the financial wherewithal to complete the purchase of the Assets as contemplated hereunder and upon completion of Closing, to operate and manage the Assets at, or exceeding, the level of service provided by the Seller prior to Closing.

9. INDEMNIFICATION

9.1. Indemnification of AQUA TEXAS

From and after the Closing, Seller will reimburse, indemnify, defend, and hold AQUA TEXAS and its affiliates, and their officers, directors and employees, harmless from and against any and all liabilities, obligations, damages, losses, actions, audits, deficiencies, claims, fines, costs and expenses, including attorney's fees and costs resulting from, relating to, or arising out of:

9.1.a. any liabilities or obligations of Seller of any nature whatsoever except for those liabilities and obligations of Seller which AQUA TEXAS specifically assumes pursuant to this Agreement;

9.1.b. any misrepresentation, breach of warranty or non-fulfillment of any agreement or covenant on the part of Seller under this Agreement, or from any misrepresentation in, or omission from, any Schedule or information furnished to AQUA TEXAS pursuant to this Agreement or in connection with the negotiation, execution or performance of this Agreement;

9.1.c. the provision of water service by Seller for the period prior to the date of Closing;

9.1.d. issues of regulatory compliance and claims by third parties for events that

are attributable to events that occurred prior to Closing;

9.1.e. Seller's failure to perform any of its covenants following Closing;

9.1.f. any liability of any kind arising directly or indirectly, including any liability to Seller, its members, or any other person, from or relating to any dissolution and winding up of Seller and distribution of assets by Seller to any member or other person after the Closing;

9.1.g. Seller's tax liability, if any; and/or

9.1.h. the enforcement of this **Section 9**.

9.2. General

AQUA TEXAS shall provide the other party with reasonable notice of any claims arising under this **Section 9**. The indemnification rights of AQUA TEXAS under this **Section 9** are independent of and in addition to such rights and remedies as AQUA TEXAS may have at law or in equity or otherwise for any misrepresentation, breach of warranty, or failure to fulfill any agreement or covenant hereunder.

The provisions of this **Section 9** shall survive the Closing.

10. SURVIVAL OF REPRESENTATIONS AND WARRANTIES

All representations, warranties and agreements made by the parties in this Agreement or in any agreement, document, statement or certificate furnished hereunder or in connection with the negotiation, execution and performance of this Agreement shall survive the Closing. Notwithstanding any investigation or audit conducted before or after the Closing Date or the decision of any party to complete the Closing, each party shall be entitled to rely upon the representations, warranties and agreements set forth herein and therein.

11. RESOLUTION OF DISPUTES

11.1. Mediation

The Parties agree to attempt to resolve any dispute, claim, question or disagreement (each a "Dispute") arising from or relating to this Agreement by mediation. The mediation will take place in Henderson County, Texas, and utilize a single mediator ("Mediator"). The Parties will mutually agree on the identity of the Mediator. However selected, the Mediator shall not be affiliated with either Party and shall be disinterested in the Dispute, but knowledgeable concerning the general subject matter of the Dispute.

11.2. Litigation

Any claim, Dispute, or other matter in question arising out of or related to this Agreement shall be subject to mediation as a condition precedent to the institution of

legal or equitable proceedings by any Party. However, if written notice of the claim, Dispute, or other matter in question is provided by one Party to the other, the Parties agree to waive any defenses to same asserted after the notice date based upon any applicable statute of limitations, the doctrine of laches, or any other doctrine or theory that would bar such claim based upon the time within which the claim is asserted to the extent such defense did not bar such claim by either Party on the notice date. With respect to such litigation, the Parties hereby consent to the exclusive jurisdiction of and agree that venue is proper and convenient in the state courts situated in Henderson County, Texas. Further, the prevailing Party in any such litigation between the Parties shall be entitled to recover its reasonable and necessary attorney's fees, expert witness fees, and other costs and expenses incurred in resolving the litigation from the non-prevailing Party.

12. MISCELLANEOUS

12.1. Contents of Agreement; Parties in Interest; etc.

This Agreement sets forth the entire understanding of the parties hereto with respect to the transactions contemplated hereby. It shall not be amended or modified except by written instrument duly executed by each of the Parties hereto. Any and all previous agreements and understandings between or among any or all of the Parties regarding the subject matter hereof, whether written or oral, are superseded by this Agreement.

12.2. Binding Effect

All of the terms and provisions of this Agreement shall be binding upon, inure to the benefit of and be enforceable by the legal representatives, successors and assigns of Seller or AQUA TEXAS.

12.3. Waiver

Any term or provision of this Agreement may be waived at any time by the Party or Parties entitled to the benefit thereof by a written instrument executed by such Party or Parties.

12.4. Force Majeure

If a Party is rendered unable, wholly or in part, to carry out any of its obligations (other than a financial obligation) under this Agreement because of a force majeure event (the "Affected Party"), then the obligations of the Affected Party shall be suspended to the extent affected by, and for the duration of, such force majeure event. The Affected Party shall give notice to the other Party of the force majeure event as soon as practicable, and shall use all reasonable efforts to remedy the effects of such force majeure event. A "force majeure event" means natural disasters, strikes or other labor disturbances, riots, fires, wars, embargoes, delays of carriers, failure of power or of regular sources of supply, acts, injunctions or restraints of government, acts of the public enemy, insurrections, riots, epidemics, landslides, hurricanes, tornadoes, arrests, restraint of government and people, civil disturbances, explosions, breakage or

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2/11

accidents to machinery, pipelines or canals, partial or entire failure of water supply resulting in an inability to provide water necessary for operation of the Water System or Interconnect Facilities, or any other cause preventing such performance, beyond the Affected Party's reasonable control. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the Affected Party, and that the above requirement that any force majeure event shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to any demands relating thereto when such settlement is unfavorable to it in the judgment of the Affected Party term or provision of this Agreement may be waived at any time by the Party or Parties entitled to the benefit thereof by a written instrument executed by such Party or Parties.

12.5. Notices

Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted hereunder shall be in writing and shall be deemed given only if delivered personally or sent by telegram or by registered or certified mail, postage prepaid, return receipt requested, as follows:

If to AQUA TEXAS:

Aqua Utilities, Inc. d/b/a Aqua Texas, Inc.
1106 Clayton Lane
Suite 400-W
Austin, Texas 78723
Telephone: (512) 990-4400
Facsimile: (512) 990-4410
Attention: Mr. Robert L. Laughman, President

If to Seller:

Union Hill Water Supply Corporation
P.O. Box 197
Brownsboro, Texas 75756
Telephone: (903) 852-5248
Attention: Mr. Kyle J. Edwards, President

or to such other address as the addressee may have specified in a written notice duly given to the sender as provided herein. Such notice, request, demand, waiver, consent, approval or other communication will be deemed to have been given as of the date so delivered, telegraphed or mailed.

12.6. Texas Law to Govern

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the State of Texas, without giving effect to any conflicts of laws provisions.

12.7. No Benefit to Others; Assignability

The representations, warranties, covenants and agreements contained in this Agreement are for the sole benefit of the parties hereto, and their legal representatives, successors and assigns, and they shall not be construed as conferring any rights on any other persons. Union Hill WSC may not assign this Agreement without the prior written consent of AQUA TEXAS, which consent shall not be unreasonably withheld or delayed. AQUA TEXAS may not assign this Agreement to an unaffiliated person or entity without the prior written consent of Union Hill WSC, which consent shall not be unreasonably withheld or delayed. AQUA TEXAS may assign this Agreement to any of its affiliate(s) without the prior consent of Union Hill WSC, its successors, or its assigns.

12.8. Headings, Gender, etc.

All section headings contained in this Agreement are for convenience of reference only, do not form a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

12.9. Exhibits and Schedules

All Exhibits, Attachments and Schedules referred to herein are intended to be and hereby are specifically made a part of this Agreement.

12.10. Cooperation/Further Assurances

Seller from time to time after the Closing, at AQUA TEXAS' request, and without additional compensation, will execute, acknowledge and deliver to AQUA TEXAS such other instruments of sale, conveyance, assignment and transfer and will take such other actions and execute and deliver such other documents, certifications and further assurances as AQUA TEXAS may reasonably require in order to vest in AQUA TEXAS, and/or to place AQUA TEXAS fully in possession of, all of the Assets. Each of the parties hereto, without additional compensation, will cooperate with the other and execute and deliver to the other such instruments and documents and take such actions as may be reasonably requested from time to time by any other party hereto as necessary to carry out, evidence and confirm the purposes of this Agreement.

12.11. Severability

Any provision of this Agreement that is invalid or unenforceable in any jurisdiction or under any circumstance shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction or under any circumstance shall not invalidate or render unenforceable such provision in any other jurisdiction or under any other circumstance, unless, in either event, the involved or unenforceable provision causes this Agreement to fail of its essential



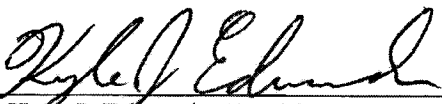
purpose.

12.12. Counterparts

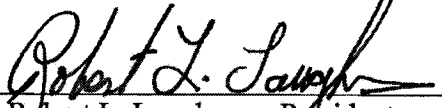
This Agreement may be executed in any number of counterparts and any signatory hereto may execute any such counterpart, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument. This Agreement shall become binding when one or more counterparts taken together shall have been executed and delivered by all signatories. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts.


IN WITNESS WHEREOF, intending to be legally bound, the parties hereto have duly executed this Agreement on the date first written.

**SELLER,
UNION HILL WATER SUPPLY CORPORATION**

By: 
Kyle J. Edwards, President

AQUA UTILITIES, INC. D/B/A AQUA TEXAS, INC.

By: 
Robert L. Laughman, President





**LIST OF
SCHEDULES AND EXHIBITS**

SCHEDULES

Schedule 2.1	List of Assets
Schedule 2.2(d)	Excluded Assets
Schedule 2.4	Assumed Obligations
Schedule 7.2	Exceptions to Seller's Representations and Warranties

EXHIBITS

Exhibit 1.5(a)	Current Union Hill Water Supply Corporation Rate Schedule
Exhibit 1.5(b)	Current AQUA TEXAS "Water Utility Tariff North Region"

EXHIBIT 1.5(a)

UNION HILL WATER RATES

Meter Set		\$	1,000.00
	Membership	\$	100.00
	Tap Fee	\$	500.00
	Customer Svc Inspection		
	<u>Capital Improvement</u>	\$	<u>400.00</u>
Late Charge		\$	3.00
Transfer Fee (plus membership)		\$	25.00
Reconnect Fee		\$	25.00
NSF Fee		\$	10.00
Re-Install (Includes membership)		See below	
	Standard Fee	\$	25.00
	Non-standard fee	\$	1,000.00
	1. Svc requested after disconnected 12 months or more		
	2. Reasons listed under Section 2.0 of Tarriff		
Renter's Deposit		\$	100.00
Water Fees:			
	Base Rate	\$	55.00
	#fgallons included in base rate		0
	Rate per 1000 gallons	\$	10.00

EXHIBIT 1.5(b)

WATER UTILITY TARIFF FOR North Region

Aqua Utilities, Inc. dba Aqua Texas, Inc.
Aqua Development, Inc. dba Aqua Texas, Inc.
(Utility Name)

1106 Clayton Lane, Suite 400W
(Business Address)

Austin, Texas 78723
(City, State, Zip Code)

(512) 990-4400
(Area Code/Telephone)

This tariff is effective for utility operations under the following Certificate of Convenience and Necessity:

11157 and 12902

This tariff is effective in the following counties:

See attached Table – North Region

This tariff is effective in the following cities or unincorporated towns (if any):

City of Granbury, The Town of Lakewood Village, City of Shady Shores, City of Waco, City of Buffalo Gap

The rates set or approved by the city for the systems entirely within its corporate boundary are not presented in this tariff. Those rates are not under the original jurisdiction of the TCEQ and will have to be obtained from the city or utility.

This tariff is effective in the following subdivisions and public water systems:

See attached Table – North Region

TABLE OF CONTENTS

The above utility lists the following sections of its tariff (if additional pages are needed for a section, all pages should be numbered consecutively):

SECTION 1.0 -- RATE SCHEDULE.....	2-5
SECTION 2.0 -- SERVICE RULES AND POLICIES	6
SECTION 3.0 -- EXTENSION POLICY	15
SECTION 4.0 -- DROUGHT CONTINGENCY PLAN	22

APPENDIX A -- SAMPLE SERVICE AGREEMENT

APPENDIX B -- APPLICATION FOR SERVICE

TEXAS COMM. ON ENVIRONMENTAL QUALITY
34610-R, CCN 11157, 12902, JANUARY 1, 2009
APPROVED TARIFF BY 8/KA

TEXAS
COMMISSION
ON ENVIRONMENTAL
QUALITY
2008 SEP 18 PM 3:31
CHIEF CLERK'S OFFICE

SCHEDULE 2.1 UNION HILL WSC "ASSETS"

VISTA PUMP STATION

1. A 1 ACRE TRACT OF LAND SITUATED IN THE DICKERSON PARKER SURVEY, A-609, HENDERSON COUNTY, TEXAS
2. 1 EACH 18 GPM WELL LOCATED ON PUMP STREET
3. 1 EACH 20,000 GALLON GROUND STORAGE TANK
4. 1 EACH 40,000 GROUND STORAGE TANK
5. 1 EACH 2000 GALLON PRESSURE TANK
6. 2 EA BOOSTER PUMPS (150 GPM)

UNION HILL CHURCH WELL SITE

1. 20'X20' (0.057 ACRE) TRACT OF LAND WITH WELL SITE AND INOPERABLE WELL SITUATED IN THE DICKERSON PARKER SURVEY, A-609 HENDERSON COUNTY , TEXAS.

UNION HILL WSC DISTRIBUTION SYSTEM

1. APPROXIMATELY 17,700 LINEAR FEET OF WATER MAINS.
2. APPROXIMATELY 162 TAPS, ASSOCIATED VALVES, AND FITTINGS.

UNION HILL WSC EASEMENTS

ONE HUNDRED PERCENT (100%) UNDIVIDED INTEREST IN ALL THE UTILITY, SANITARY CONTROL AND ACCESS EASEMENTS NECESSARY IN PROVIDING WATER SERVICE TO TCEQ PUBLIC WATER SUPPLY NUMBER 1070032 – CERTIFICATE OF CONVENIENCE NUMBER 11439 UNION HILL WSC CORP.

SCHEDULE 2.2(D) "EXCLUDED ASSETS"

1. A 6.2 ACRE TRACT OF LAND, PART OF THE JACKSON WELLS SURVEY, A-823, TR-28, HENDERSON COUNTY, TEXAS AND ALL BUILDINGS/IMPROVEMENTS CONTAINED THEREON.
2. UNION HILL WSC'S CHARTER, TAXPAYER AND OTHER IDENTIFICATION NUMBERS, AND OTHER BOOKS RECORDS, DOCUMENTS AND SEALS RELATING TO THE COPORATE OR COMPANY ORGANIZATION, MAINTENANCE AND EXISTENCE OF SELLER THAT SELLER IS REQUIRED BY APPLICABLE LEGAL REQUIREMENTS TO RETAIN IN ITS POSSESSION
3. ALL INSURANCE POLICIES UNLESS OTHERWISE DIRECTED BY AQUA TEXAS PURSUANT TO **SECTION 2.6** OF THIS AGREEMENT
4. ALL PERSONNEL RECORDS AND OTHER RECORDS THAT UNION HILL WSC IS REQUIRED BY APPLICABLE LEGAL REQUIREMENTS TO RETAIN IN ITS POSSESSION
5. BANK ACCOUNT NO. _____ AT _____ BANK
6. ALL SELLER'S RIGHTS UNDER THIS AGREEMENT AND UNDER ALL OTHER AGREEMENTS OR INSTRUMENTS EXECUTED BY EITHER SELLER OR AQUA TEXAS IN CONNECTION WITH THIS AGREEMENT

SCHEDULE 2.4 ASSUMED OBLIGATIONS

1. OBLIGATIONS REQUIRED BY TEXAS COMMISSION ON ENVIRONMENTAL QUALITY ("TCEQ") CERTIFICATE OF CONVENIENCE AND NECESSITY NO. 11439 (SUBJECT TO TCEQ APPROVAL), INCLUDING THE OBLIGATION TO PROVIDE CONTINUOUS AND ADEQUATE SERVICE TO ACTIVE CUSTOMER CONNECTIONS IN SELLER'S SERVICE AREA
2. OBLIGATIONS REQUIRED BY NECHES AND TRINITY VALLEYS GROUNDWATER CONSERVATION DISTRICT ("NTVGCD") PERMIT NO. _____ (SUBJECT TO NTVGCD APPROVAL).

**SCHEDULE 7.2 – EXCEPTIONS TO SELLER’S
REPRESENTATIONS AND WARRANTIES**

1. SELLER OWES DEBT TO THE UNITED STATES DEPARTMENT OF AGRICULTURE AS DESCRIBED IN A UNION HILL WATER SUPPLY CORPORATION “LOAN RESOLUTION SECURITY AGREEMENT” DATED NOVEMBER 15, 2000.
2. SELLER PLANS TO INCUR DEBT OBLIGATIONS TO AQUA UTILITIES INC. D/B/A AQUA TEXAS, INC., ITS SUCCESSORS OR ASSIGNS RELATED TO THE INTERCONNECT FACILITIES DESCRIBED IN THIS AGREEMENT PRIOR TO THE CLOSING.

ASSIGNMENT OF AGREEMENT TO PURCHASE WATER SYSTEM ASSETS

This Assignment (the "**Assignment**") of the Agreement to Purchase Water System Assets, by and between Aqua Texas, Inc., a Texas Corporation ("**Aqua Texas**"), and Aqua Utilities, Inc., a Texas corporation, d/b/a Aqua Texas, Inc. ("**Aqua Utilities**") is effective as of the 15th day of November, 2011.

WHEREAS, Union Hill Water Supply Corporation (the "**UHWSC**") entered into an Agreement to Purchase Water System Assets (the "**Agreement**") with Aqua Utilities on June 24, 2010;

WHEREAS, Aqua Texas and Aqua Utilities are affiliated entities;

WHEREAS, Aqua Utilities desires to convey all of its assets and interests to Aqua Texas, including the obligations, duties, rights, titles, and interests contained in the Agreement;

WHEREAS; Aqua Texas is willing to receive all of the assets and interests of Aqua Utilities, including the obligations, duties, rights, titles and interests contained in the Agreement;

WHEREAS, the Texas Commission on Environmental Quality ("**TCEQ**"), the environmental agency for the State of Texas, approved the conveyance of all of the assets and interests of Aqua Utilities to Aqua Texas;

WHEREAS, Aqua Texas and Aqua Utilities are first-tier subsidiaries of the parent company, Aqua America, Inc., a Pennsylvania corporation; and

WHEREAS, Section 12.7 of the Agreement provides that Aqua Utilities may assign the obligations, duties, rights, titles, and interests of Aqua Utilities contained in the Agreement to an affiliated entity without prior consent by UHWSC.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained and contained in the Agreement, Aqua Utilities and Aqua Texas hereby agree as follows:

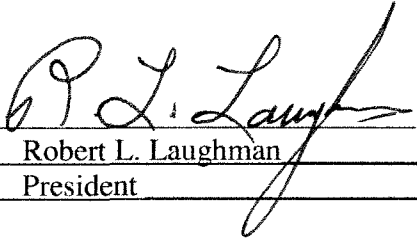
- (a) The facts set forth in the recitals hereof are true and correct and made a part hereof.
- (b) Aqua Utilities acknowledges and affirms that it has fully assigned all its obligations, duties, rights, titles, and interests under the Agreement to Aqua Texas.
- (c) Aqua Texas acknowledges and affirms that it has received and is solely responsible for all obligations, duties, rights, titles, and interests of Aqua Utilities under the Agreement.

- (d) The parties acknowledge, affirm and consent to the effectiveness of this Assignment, and that Aqua Texas and the UHWSC are the parties to the Agreement for all obligations, duties, rights, titles, and interests that arise under it.
- (e) The remaining and existing terms and provisions of the Agreement are hereby ratified by the parties.

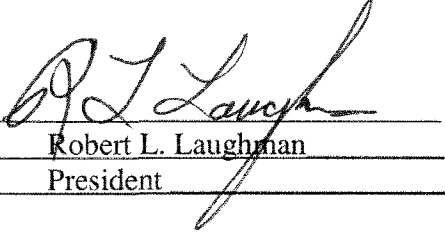
IN WITNESS WHEREOF, Aqua Utilities and Aqua Texas have made and executed this Assignment by and through their duly authorized officers.

Signed this 18 day of November, 2014.

AQUA UTILITIES, INC., D/B/A AQUA TEXAS, INC.
ASSIGNOR:

By: 
Name: Robert L. Laughman
Title: President

AQUA TEXAS, INC.
ASSIGNEE:

By: 
Name: Robert L. Laughman
Title: President

ATTACHMENT

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CORPORATE RESOLUTION

STATE OF TEXAS

KNOW ALL MEN BY THESE PRESENT:
COUNTY OF HENDERSON

That I, KIMBERLY MCGOUGH, Secretary of UNION HILL WATER SUPPLY, certify that the following is a true and correct copy of a Resolution passed by the Board of Directors of UNION HILL WATER SUPPLY, of Henderson County, Texas, at a meeting of the Board of Directors held the 14th day of October, 2014, at 6:30 o'clock P.M. in Henderson County, Texas.

IT IS RESOLVED that the UNION HILL WATER SUPPLY Board of Directors made a Resolution to adopt the attached rate structure for the Union Hill Water Supply. These rates so voted on by a majority vote of the Board of Directors shall become effective November 1, 2014, and remain in effect through the transfer of Union Hill Water Supply's CCN and assets to Aqua Texas, Inc.

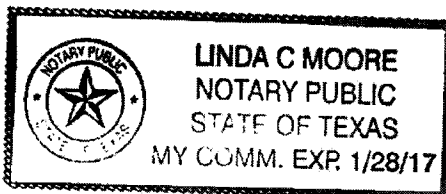
WITNESS MY HAND this the 14th day of October, 2014.


Kimberly McGough, Secretary

STATE OF TEXAS

COUNTY OF HENDERSON

14th THIS INSTRUMENT WAS ACKNOWLEDGED BEFORE ME this the day of October, 2014, by KIMBERLY MCGOUGH, SECRETARY, on behalf of UNION HILL WATER SUPPLY.




Notary Public in and for State of Texas

EXHIBIT A

UNION HILL WATER SUPPLY CORPORATION RATE SCHEDULE

Rates

Monthly Minimum Charges by Meter Size (Includes 0 Gallons)*

Meter Size	Monthly Minimum Charge
5/8" x 3/4"	\$45.06
1"	\$112.65
1½"	\$225.30
2"	\$360.48
3"	\$720.96
4"	\$1,126.50
6"	\$2,253.00
8"	\$3,604.80
10"	\$5,181.90
12"	\$9,687.90

* Monthly Minimum Charge for any meter size larger than 12" will be calculated using American Water Works Association ("AWWA") approved meter equivalency factors.

Gallonge Charge: Per 1,000 Gallons Used:

1-5000 gallons	\$2.85
5,001-10,000 gallons	\$4.95
10,001-20,000 gallons	\$7.13
Over 20,000 gallons	\$7.60

FORM OF PAYMENT: Will accept the following forms of payment:

Cash X (if in person at designated locations), Check X, Money Order X, Credit Card X,
Other (Specify) Electronic Billing & Payment (See tariff service policies)

MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS.

UNAFFILIATED THIRD PARTIES WHO ACCEPT AND PROCESS CASH, CREDIT CARD, OR ELECTRONIC PAYMENTS FOR BILLS MAY REQUIRE PAYMENT OF AN ADDITIONAL CONVENIENCE CHARGE FOR THIS SERVICE.

REGULATORY ASSESSMENT FEE.....5%
THIS FEE IS CHARGED PURSUANT TO TEXAS WATER CODE SECTION 5.701(n)(1)(B).
IF SYSTEM ASSETS ARE SOLD TO AND USED BY A PUBLIC UTILITY AS
DEFINED IN TEXAS WATER CODE SECTION 13.002 TO PROVIDE POTABLE
WATER SERVICE, THEN THIS FEE SHALL INCREASE TO 1.0% AS PRESCRIBED
BY TEXAS WATER CODE SECTION 5.701(n)(1)(A).

Miscellaneous Fees

TAP FEE.....\$1,100.00
THE TAP FEE COVERS COSTS FOR MATERIALS AND LABOR TO INSTALL A
STANDARD RESIDENTIAL 5/8" x 3/4" METER. AN ADDITIONAL FEE TO COVER
UNIQUE COSTS IS PERMITTED AS LISTED ON THIS TARIFF.

TAP FEE (Unique Costs)ACTUAL COST
FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE A SUBDIVISION IS A
UNIQUE COST. UNIQUE COSTS WILL BE DETERMINED ON A CASE-BY-CASE
BASIS.

TAP FEE (Larger Meter)ACTUAL COST
THIS TAP FEE IS BASED ON THE SERVICE PROVIDER'S ACTUAL COST FOR
MATERIALS AND LABOR FOR METERS LARGER THAN STANDARD 5/8" x 3/4"
METERS. UNIQUE COSTS, SUCH AS ROAD BORES, WILL BE CHARGED IN
ADDITION TO THIS TAP FEE AT THEIR ACTUAL COST OF INSTALLATION.

RECONNECTION FEE

THE RECONNECTION FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED
TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING
REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- a) Non-payment of bill (Maximum \$25.00).....\$25.00
- b) Customer's request that service be disconnected.....\$75.00

TRANSFER FEE.....\$50.00
THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME
AT THE SAME SERVICE LOCATION WHERE THE SERVICE IS NOT
DISCONNECTED.

LATE CHARGE.....10% of BILL
PUC RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT
BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH
THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE\$25.00
RETURNED CHECK CHARGES MUST BE BASED ON DOCUMENTABLE COST.

CUSTOMER DEPOSIT - RESIDENTIAL\$50.00

CUSTOMER DEPOSIT - COMMERCIAL & NON-RESIDENTIAL 1/6TH OF ESTIMATED ANNUAL BILL

METER TEST FEE \$25.00

THIS FEE, WHICH SHOULD REFLECT THE SERVICE PROVIDER'S COST, MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY. THE FEE MAY NOT EXCEED \$25.

METER/SERVICE RELOCATION FEE (Customer's Request).....ACTUAL COST

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE RELOCATED.

STANDARD METER INSTALLATION FEE.....\$150.00

TO BE CHARGED WHEN UNMETERED SERVICE EXISTS ON THE SYSTEM THAT SHOULD BE METERED TO BE IN COMPLIANCE WITH THE SERVICE PROVIDER'S TARIFF BUT THE CONVERSION OF THE SERVICE WOULD NOT REQUIRE A FULL TAP AND ALL OF ITS COSTS. THIS FEE WILL BE A SHARING OF COSTS BETWEEN THE CUSTOMER AND THE SERVICE PROVIDER. THE CUSTOMER MAY HAVE THE OPTION OF PAYING THE FEE OVER NO MORE THAN THREE (3) MONTHS.

CUSTOMER SERVICE INSPECTION FEE.....\$100.00

SERVICE APPLICANTS MAY CHOOSE TO HAVE CUSTOMER SERVICE INSPECTIONS REQUIRED BY TCEQ RULE 290.46(j) PERFORMED BY ANY STATE-LICENSED INSPECTOR OF THEIR CHOICE. UNLESS THE SERVICE APPLICANT CHOOSES TO ARRANGE FOR AND PAY FOR THE INSPECTION INDEPENDENTLY, THE SERVICE PROVIDER MAY CHARGE SERVICE APPLICANTS THE CUSTOMER SERVICE INSPECTION FEE AT THE TIME THEY APPLY FOR SERVICE. IF A RE-INSPECTION IS REQUIRED TO BRING PLUMBING INTO COMPLIANCE WITH APPLICABLE REQUIREMENTS OR IF AN EXTRA INSPECTION APPOINTMENT IS REQUIRED BECAUSE A CUSTOMER DOES NOT PERMIT PERFORMANCE OF AN INSPECTION AT A PREVIOUSLY AGREED UPON APPOINTMENT TIME, THE CUSTOMER MAY CHOOSE TO HAVE ANY STATE-LICENSED INSPECTOR OF THEIR CHOICE PERFORM THE INSPECTION. IF THE CUSTOMER CHOOSES TO HAVE THE SERVICE PROVIDER PERFORM THE INSPECTION OR RE-INSPECTION, THE CUSTOMER WILL BE CHARGED \$100.00 FOR EACH REQUIRED INSPECTION, RE-INSPECTION OR AGREED UPON INSPECTION APPOINTMENT AND WILL PAY THE SERVICE PROVIDER THE TOTAL AMOUNT OWED AT THE TIME AN INSPECTION OR RE-INSPECTION IS PERFORMED. THE SERVICE PROVIDER MAY, AT ITS OPTION, INCLUDE THE ADDITIONAL CHARGE OR CHARGES ON THE NEXT MONTH'S SERVICE BILL RATHER THAN REQUIRING PAYMENT AT THE TIME OF THE INSPECTION OR RE-INSPECTION. THE SERVICE PROVIDER MAY USE ITS EMPLOYEES OR MAY HAVE THE INSPECTION PERFORMED BY A LICENSED THIRD PARTY CONTRACTOR.

ILLEGAL RECONNECTION, LOCK REMOVAL OR DAMAGE FEE.....\$85.00

IN ORDER TO REIMBURSE THE SERVICE PROVIDER WITHOUT BURDENING OTHER CUSTOMERS WITH HIGHER RATES FOR THE ADDITIONAL COST OF SERVICE TRIPS TO DISCONNECT A CUSTOMER/ACCOUNT HOLDER WHO HAS BEEN DISCONNECTED FOR NONPAYMENT AND TO PAY FOR THE COST OF BROKEN OR CUT LOCKS AND SERVICE TIME, THIS FEE SHALL BE ASSESSED TO THE ACCOUNT HOLDER OF ANY DELINQUENT ACCOUNT THAT HAS BEEN DISCONNECTED FOR NONPAYMENT BY VALVING OFF, LOCKING OR REMOVING THE METER WHEN SERVICE TO THE PREMISES IS SUBSEQUENTLY RECONNECTED BY NON-SERVICE PROVIDER PERSONNEL BY CUTTING OR REMOVING THE LOCK, REOPENING THE VALVE, OR REMOVING OR BYPASSING THE METER WITHOUT AUTHORIZATION BY THE SERVICE PROVIDER. THIS FEE MAY BE CHARGED EACH TIME AN EVENT OCCURS AND SERVICE WILL NOT BE RECONNECTED UNTIL THIS FEE IS PAID IN ADDITION TO ANY OTHER BALANCES AND RECONNECT FEES. THIS FEE SHALL NOT BE CHARGED IF A FEE FOR A DAMAGED METER IS CHARGED OR IF THE ACCOUNT HOLDER OR HIS/HER REPRESENTATIVE INFORMS THE SERVICE PROVIDER WITHIN 24 HOURS AFTER DISCOVERING THAT SERVICE HAS BEEN RESTORED WITHOUT AUTHORIZATION OF THE SERVICE PROVIDER: (1) THAT SERVICE WAS RECONNECTED WITHOUT THE ACCOUNT HOLDER'S PERMISSION; AND (2) THE ACCOUNT HOLDER AGREES TO PAY FOR ALL WATER USED.

DAMAGED METER AND APPURTENANCES FEE.....ACTUAL COST

THIS FEE SHALL BE ASSESSED TO THE ACCOUNT HOLDER OF ANY DELINQUENT ACCOUNT THAT HAS BEEN DISCONNECTED FOR NONPAYMENT BY VALVING OFF OR LOCKING THE METER WHEN THE METER AND/OR METER APPURTENANCES, SUCH AS AN AMR UNIT OR CURB STOP, ARE DAMAGED IN ORDER TO RESTORE WATER SERVICE TO THE ACCOUNT HOLDER'S ORIGINAL PLACE OF SERVICE REQUIRING THE SERVICE PROVIDER TO REPAIR OR REPLACE THEM. THE ACCOUNT HOLDER SHALL BE CHARGED THE FULL COST OF REPAIRING AND/OR REPLACING ALL DAMAGED PARTS AS THE SERVICE PROVIDER DEEMS NECESSARY, INCLUDING LABOR AND VEHICLE COSTS. THIS WILL INCLUDE REPLACEMENT OF VALVES OR CURB STOPS THAT HAVE HAD THEIR LOCKING EYES BROKEN OFF THE FLANGES.

GOVERNMENTAL TESTING, INSPECTION, AND COSTS SURCHARGE:

THE SERVICE PROVIDER MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. IF SYSTEM ASSETS ARE SOLD TO AND USED BY A PUBLIC UTILITY AS DEFINED IN TEXAS WATER CODE SECTION 13.002 TO PROVIDE POTABLE WATER SERVICE, THEN IMPLEMENTATION OF SUCH SURCHARGES SHALL BE GOVERNED BY 16 TAC § 24.21(k)(2).

LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SERVICE PROVIDER'S TARIFF EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE.

**WATER UTILITY TARIFF
FOR
FOR NORTH REGION – UNION HILL**

Aqua Texas, Inc. dba Aqua Texas

1106 Clayton Lane, Ste 400 W

Austin, Texas 78723

(512)990-4400

This tariff is effective for utility operations under the following Certificates of Convenience and Necessity:

13201

This tariff is effective in the following counties:

Henderson

This tariff is effective in the following cities or unincorporated towns (if any):

None

This tariff is effective in the following subdivisions and public water systems:

Union Hill Water Supply Corporation: PWS# 1070032

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APPENDIX A APPLICATION FOR SERVICE/SERVICE AGREEMENT	

SECTION 1.0 - RATE SCHEDULES

Section 1.01 - Rates

Monthly Minimum Charges by Meter Size (Includes 0 Gallons)*

Meter Size	Monthly Minimum Charge
5/8" x 3/4"	\$45.06
1"	\$112.65
1½"	\$225.30
2"	\$360.48
3"	\$720.96
4"	\$1,126.50
6"	\$2,253.00
8"	\$3,604.80
10"	\$5,181.90
12"	\$9,687.90

* Monthly Minimum Charge for any meter size larger than 12" will be calculated using American Water Works Association ("AWWA") approved meter equivalency factors.

Gallonge Charge: Per 1,000 Gallons Used:

1-5000 gallons	\$2.85
5,001-10,000 gallons	\$4.95
10,001-20,000 gallons	\$7.13
Over 20,000 gallons	\$7.60

REGULATORY ASSESSMENT FEE 1.0%
TCEQ RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF
THE RETAIL MONTHLY BILL.

FORM OF PAYMENT: Will accept the following forms of payment:

Cash X (if in person at designated locations), Check X, Money Order X, Credit Card X,
Other (Specify) Electronic Billing & Payment (See tariff service policies)

MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT
PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT
WILL BE GIVEN FOR CASH PAYMENTS.

UNAFFILIATED THIRD PARTIES WHO ACCEPT AND PROCESS CASH, CREDIT CARD,
OR ELECTRONIC PAYMENTS FOR BILLS MAY REQUIRE PAYMENT OF AN
ADDITIONAL CONVENIENCE CHARGE FOR THIS SERVICE.

Section 1.02 - Miscellaneous Fees

TAP FEE..... \$1,100.00

THE TAP FEE COVERS COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 5/8" x 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED AS LISTED ON THIS TARIFF.

TAP FEE (Unique Costs) ACTUAL COST
FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE A SUBDIVISION IS A UNIQUE COST. UNIQUE COSTS WILL BE DETERMINED ON A CASE-BY-CASE BASIS.

TAP FEE (Larger Meter)..... ACTUAL COST
THIS TAP FEE IS BASED ON THE SERVICE PROVIDER'S ACTUAL COST FOR MATERIALS AND LABOR FOR METERS LARGER THAN STANDARD 5/8" x 3/4" METERS. UNIQUE COSTS, SUCH AS ROAD BORES, WILL BE CHARGED IN ADDITION TO THIS TAP FEE AT THEIR ACTUAL COST OF INSTALLATION.

RECONNECTION FEE

THE RECONNECTION FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- a) Non-payment of bill (Maximum \$25.00) \$25.00
- b) Customer's request that service be disconnected..... \$75.00

TRANSFER FEE \$50.00
THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHERE THE SERVICE IS NOT DISCONNECTED.

LATE CHARGE..... 10% of BILL
PUC RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE \$25.00
RETURNED CHECK CHARGES MUST BE BASED ON DOCUMENTABLE COST.

CUSTOMER DEPOSIT - RESIDENTIAL \$50.00

CUSTOMER DEPOSIT - COMMERCIAL & NON-RESIDENTIAL 1/6TH OF ESTIMATED
ANNUAL BILL

METER TEST FEE \$25.00
THIS FEE, WHICH SHOULD REFLECT THE SERVICE PROVIDER'S COST, MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY.

THE FEE MAY NOT EXCEED \$25.

METER/SERVICE RELOCATION FEE (Customer’s Request)ACTUAL COST
THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER
BE RELOCATED.

STANDARD METER INSTALLATION FEE..... \$150.00
TO BE CHARGED WHEN UNMETERED SERVICE EXISTS ON THE SYSTEM THAT
SHOULD BE METERED TO BE IN COMPLIANCE WITH THE SERVICE PROVIDER’S
TARIFF BUT THE CONVERSION OF THE SERVICE WOULD NOT REQUIRE A FULL TAP
AND ALL OF ITS COSTS. THIS FEE WILL BE A SHARING OF COSTS BETWEEN THE
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LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SECTION 3.0--EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE.

SECTION 2.0 - SERVICE RULES AND REGULATIONS

Section 2.01 - Texas Commission on Environmental Quality Rules

The utility will have the most current Texas Public Utility Commission Rules, Chapter 24, Substantive Rules Applicable to Water and Sewer Service Providers, available at its office for reference purposes. The Rules and this tariff shall be available for public inspection and reproduction at a reasonable cost. The latest Rules or Commission approved changes to the Rules supersede any rules or requirements in this tariff.

Section 2.02 - Application for and Provision of Water Service

All applications for service will be made on the utility's standard application or contract form (attached in the Appendix to this tariff) and will be signed by the applicant before water service is provided by the utility. A separate application or contract will be made for each service location.

After the applicant has met all the requirements, conditions and regulations for service, the utility will install a tap, meter and utility cut-off valve and/or take all necessary actions to initiate service. The utility will serve each qualified applicant for service within ten working days unless line extensions or new facilities are required. If construction is required to fill the order and if it cannot be completed within 30 days, the utility will provide the applicant with a written explanation of the construction required and an expected date of service. Notwithstanding any statement in this tariff to the contrary, the utility will serve each qualified applicant for service within the time limits prescribed in 16 TAC § 24.85 (a)-(b) as that rule may be amended by the PUC.

Where service has previously been provided, service will be reconnected within three working days after the applicant has met the requirements for reconnection.

The customer will be responsible for furnishing and laying the necessary customer service pipe from the meter location to the place of consumption. Customers may be required to install a customer owned cut-off valve on the customer's side of the meter or connection.

Section 2.03 - Refusal of Service

The utility may decline to serve an applicant until the applicant has complied with the regulations of the regulatory agencies (state and municipal regulations) and for the reasons outlined in the PUC Rules. In the event that the utility refuses to serve an applicant, the utility will inform the applicant in writing of the basis of its refusal. The utility is also required to inform the applicant a complaint may be filed with the Commission.

Section 2.04 - Customer Deposits

If a residential applicant cannot establish credit to the satisfaction of the utility, the applicant may be required to pay a deposit as provided for in Section 1.02 of this tariff. The utility will keep records of the deposit and credit interest in accordance with PUC Rules.

Residential applicants 65 years of age or older may not be required to pay deposits unless the applicant has an outstanding account balance with the utility or another water or sewer utility which accrued within the last two years.

Nonresidential applicants who cannot establish credit to the satisfaction of the utility may be required to make a deposit that does not exceed an amount equivalent to one-sixth of the estimated annual billings.

Refund of deposit - If service is not connected, or after disconnection of service, the utility will promptly refund the customer's deposit plus accrued interest or the balance, if any, in excess of the unpaid bills for service furnished. The utility may refund the deposit at any time prior to termination of utility service but must refund the deposit plus interest for any customer who has paid 18 consecutive billings without being delinquent.

Section 2.05 - Meter Requirements, Readings, and Testing

All water sold by the utility will be billed based on meter measurements. The utility will provide, install, own and maintain meters to measure amounts of water consumed by its customers. One meter is required for each residential, commercial or industrial facility in accordance with the PUC Rules.

Service meters will be read at monthly intervals and as nearly as possible on the corresponding day of each monthly meter reading period unless otherwise authorized by the Commission.

Meter tests. The utility will, upon the request of a customer, and, if the customer so desires, in his or her presence or in that of his or her authorized representative, make without charge a test of the accuracy of the customer's meter. If the customer asks to observe the test, the test will be made during the utility's normal working hours at a time convenient to the customer. Whenever possible, the test will be made on the customer's premises, but may, at the utility's discretion, be made at the utility's testing facility. If within a period of two years the customer requests a new test, the utility will make the test, but if the meter is found to be within the accuracy standards established by the American Water Works Association, the utility will charge the customer a fee which reflects the cost to test the meter up to a maximum \$25 for a residential customer. Following the completion of any requested test, the utility will promptly advise the customer of the date of removal of the meter, the date of the test, the result of the test, and who made the test.

Section 2.06 - Billing

Bills from the Utility will be mailed monthly unless otherwise authorized by the Commission or the customer voluntarily elects to be billed through a paperless electronic billing system which uses standard forms, protocols and conformation processes established and maintained by the utility or unaffiliated third parties providing online billing and payment services that are approved by the Utility. The due date to pay bills for utility service will be at least 21 days from the date of issuance. The postmark on the bill or, if there is no postmark on the bill, the recorded date of mailing or electronic mailing by the Utility or the Utility's billing service will constitute proof of the date of issuance. Payment for utility service is delinquent if full payment, including late fees and the regulatory assessment, is not received at the Utility or the Utility's authorized payment processor by 5:00 p.m. on the due date. If the due date falls on a holiday or weekend, the due date for payment purposes will be the next work day after the due date.

A late penalty of 10% will be charged on delinquent bills. Customer payments post marked by the due date will not incur a late penalty. The penalty on delinquent bills will not be applied to any balance to which the penalty was applied in a previous billing. The utility must maintain a record of the date of mailing to charge the late penalty.

Each bill will provide all information required by the PUC Rules. For each of the systems it operates, the utility will maintain and note on the monthly bill a telephone number (or numbers) which may be reached by a local call by customers. At the utility's option, a toll-free telephone number or the equivalent may be provided.

Cash Payments at Non-utility payment locations or Credit Card Payments – The Utility may use unaffiliated third parties to accept and process utility bill cash payments at non-utility payment locations or to accept and process utility bill credit card payments. Any charges required by the third party to accept and process such utility bill payments are the responsibility of the customer and are in addition to utility bill amounts.

Electronic Billing and Payment - A customer may voluntarily elect to be billed through a paperless electronic billing system which uses standard forms, protocols and conformation processes established and maintained by the Utility or unaffiliated third parties providing online billing and payment services that are approved by the Utility. Any charges required by the third party to process the electronic bill or payment are the responsibility of the customer and are in addition to utility bill amounts. In administering this electronic billing option, the Utility does not send the customer paper bills. Customers may sign up for electronic billing at www.aquaamerica.com. Required information that otherwise accompanies a paper bill is transmitted to the customer electronically, or an Internet link access to such information is transmitted electronically to the customer. Any applicable disconnection notice continues to be sent to the customer via United States mail. The Utility may utilize unaffiliated third parties to electronically transmit bills to the customer. The Utility is not responsible for any loss resulting from the customer's election to receive bills electronically, including but not limited to, any loss associated with damage to the customer's computer equipment or facilities and any loss associated with a third party's unauthorized use of the customer's information. Either the Utility or customer may, upon thirty (30) days notice to the other party, terminate electronic transmission of bills without any liability to the terminating party resulting from such termination, and without affecting the customer's obligation to pay all amounts due to the Utility. In such event, the Utility will begin to issue paper bills via United States mail to the customer as soon as reasonably practical. The Utility reserves the right to determine whether or not a customer is eligible to be billed through its paperless electronic billing system. A customer that elects electronic billing, who is a combination water and sewer service customer of the Utility, will receive electronic billing for both services.

Third party charges for processing utility bill payments - Any charges required by a third party to accept or process a cash utility bill payment at a nonutility payment location, a credit card utility bill payment, or an electronic utility bill or payment are the responsibility of the customer and are in addition to utility bill amounts.

In the event of a dispute between a customer and a utility regarding any bill for utility service, the utility will conduct an investigation and report the results to the customer. If the dispute is not resolved, the utility will inform the customer that a complaint may be filed with the Commission.

Section 2.07 - Service Disconnection

Utility service may be disconnected if the bill has not been paid in full by the date listed on the termination notice. The termination date must be at least 10 days after the notice is mailed or hand delivered.

The utility is encouraged to offer a deferred payment plan to a customer who cannot pay an outstanding bill in full and is willing to pay the balance in reasonable installments. However, a customer's utility service may be disconnected if a bill has not been paid or a deferred payment agreement entered into within 31 days from the date of issuance of a bill and if proper notice of termination has been given.

Notice of termination must be a separate mailing or hand delivery in accordance with the PUC Rules.

Utility service may also be disconnected without notice for reasons as described in the PUC Rules.

Utility personnel must be available to collect payments and to reconnect service on the day of and the day after any disconnection of service unless service was disconnected at the customer's request or due to a hazardous condition.

Section 2.08 - Reconnection of Service

Service will be reconnected within 36 hours after the past due bill and any other outstanding charges are paid or correction of the conditions which caused service to be disconnected.

Section 2.09 - Service Interruptions

The utility will make all reasonable efforts to prevent interruptions of service. If interruptions occur, the utility will re-establish service within the shortest possible time. Except for momentary interruptions due to automatic equipment operations, the utility will keep a complete record of all interruptions, both emergency and scheduled and will notify the Commission in writing of any service interruptions affecting the entire system or any major division of the system lasting more than four hours. The notice will explain the cause of the interruptions.

Prorated Bills. - If service is interrupted or seriously impaired for 24 consecutive hours or more, except by an act of God, the utility will prorate the monthly base bill in proportion to the time service was not available to reflect this loss of service.

Section 2.10 - Quality of Service

The utility will plan, furnish, and maintain production, treatment, storage, transmission, and distribution facilities of sufficient size and capacity to provide a continuous and adequate supply of water for all reasonable consumer uses. Unless otherwise authorized by the Commission or TCEQ, the utility will maintain facilities as described in the PUC Rules or in the TCEQ's "Rules and Regulations for Public Water Systems." The utility will not provide supply for fire prevention, fire flow, or fire fighting services as part of standard retail water utility service.

Section 2.11 - Customer Complaints and Disputes

If a customer or applicant for service lodges a complaint, the utility will promptly make a suitable investigation and advise the complainant of the results. Service will not be disconnected pending completion of the investigation. If the complainant is dissatisfied with the utility's response, the utility must advise the complainant that he has recourse through the PUC and TCEQ complaint process. Pending resolution of a complaint, the PUC or TCEQ may require continuation or restoration of service.

The utility will maintain a record of all complaints which shows the name and address of the complainant, the date and nature of the complaint and the adjustment or disposition thereof, for a period of two years after the final settlement of the complaint.

SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS

This section contains specific utility service rules in addition to the rules previously listed under Section 2.0. It must be reviewed and approved by the Commission and in compliance with PUC Rules to be effective.

The utility adopts the administrative rules of the PUC, as the same may be amended from time to time, as its company specific service rules and regulations. These rules will be kept on file at the company's offices for customer inspection during regular business hours. In the event of a conflict between the PUC's amended rules and the provisions of this tariff, the amended rules shall prevail. Where necessary, any conflicting provision of this tariff shall be deemed to have been superseded by the PUC rule in question to the degree that the utility may conduct its lawful business in conformance with all requirements of said rule.

All payments for utility service shall be delivered or mailed to the remittance address on the utility bill received or paid using any method described on the utility bill received. Cash payments are only accepted in person at designated payment locations as described in the utility bill received. If the utility or its authorized agent fails to receive payment prior to the time of noticed disconnection for non-payment of a delinquent account, service will be terminated as scheduled. Utility service crews shall not be allowed to collect payments on customer accounts in the field.

Payment of an account by any means that has been dishonored and returned by the payor or payee's bank, shall be deemed to be delinquent. All returned payments must be redeemed with cash or valid money order. If a customer has two returned payments within a twelve month period, the customer shall be required to pay a deposit if one has not already been paid.

Customers shall not be allowed to use the utility's cutoff valve on the utility's side of the meter. Existing customers may install cutoff valves on their side of the meter and are encouraged to do so. All new customers must install customer-owned and maintained cutoff valves on their side of the meter.

No water connection from any public drinking water supply system shall be made to any establishment where an actual or potential contamination or system hazard exists without an air gap separation between the drinking water supply and the source of potential contamination. The containment air gap is sometimes impractical and, instead, reliance must be placed on individual "internal" air gaps or mechanical backflow prevention devices.

Under these conditions, additional protection shall be required at the meter in the form of a backflow prevention device (in accordance with AWWA Standards C510 and C511, and AWWA Manual M14) on those establishments handling substances deleterious or hazardous to the public health. The water purveyor need not require backflow protection at the water service entrance if an adequate cross-connection control program is in effect that includes an annual inspection and testing by a certified backflow prevention device tester. It will be the responsibility of the water purveyor to ensure that these requirements are met.

Customer shall be liable for any damage or injury to utility-owned property or personnel shown to be caused by the customer, his invitees, his agents, his employees, or others directly under his control.

Limitation on Product/Service Liability - Public water utilities are required to deliver water to the customer's side of the meter or service connection that meets the potability and pressure standards of the TCEQ. The utility will not accept liability for any injury or damage to individuals or their property occurring on the customer's side of the meter when the water delivered meets these state standards. The utility makes no representations or warranties (expressed or implied) that customer's appliances will not be damaged by disruptions of or fluctuations in water service whatever the cause. The utility will not accept liability for injuries or damages to persons or property due to disruption of water service caused by: (1) acts of God, (2) acts of third parties not subject to the control of the utility if the utility has undertaken such preventive measures as are required by TCEQ rules, (3) electrical power failures in water systems not required by TCEQ rule to have auxiliary power supplies, or (4) termination of water service pursuant to the utility's tariff and the TCEQ's rules. The utility is not required by law and does not provide fire prevention, fire flow, or fire fighting services. The utility therefore does not accept liability for fire-related injuries or damages to persons or property caused or aggravated by the availability (or lack thereof) of water or water pressure (or lack thereof) during fire emergencies. The utility will accept liability for any injury or damage to individuals or their property directly caused by defective utility plant facilities (*e.g.* leaking water lines or meters) or the repairs to or construction of the utility's facilities.

If the services of a registered professional engineer are required as a result of an application for service received by the utility for service to that applicant's service extension only, such engineer will be selected by the utility and the applicant, and the applicant shall bear all expenses incurred therein.

If an applicant requires service other than the standard service provided by the utility, such applicant will be required to pay all expenses incurred by the utility in excess of the expenses that would be incurred in providing the standard service and connection. Any applicant who places unique or non-standard service

demands on the system may be required to provide contributions in aid of construction (as may be allowed by PUC rule) for the actual costs of, any additional facilities required to maintain compliance with the TCEQ minimum design criteria for water production, treatment, pumping storage and transmission.

Any applicant or existing customer required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be entitled to a written explanation of such costs prior to payment and/or commencement of construction. If the applicant or existing customer does not believe that these costs are reasonable or necessary, the applicant or existing customer shall have the right to appeal such costs to the TCEQ or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's or existing customer's property(ies) is located.

Tap fees may be increased by unique costs not normally incurred as may be permitted by 16 T.A.C. § 24.86(a)(1)(C).

The utility adopts the Uniform Plumbing Code pursuant to TCEQ Rule 290.46(i). The piping and other equipment on the premises furnished by the customer will be maintained by the customer at all times in conformity with the requirements of the TCEQ, the Uniform Plumbing Code and with the service rules and regulations of the utility. The customer will bring out his service line to his property line at the point on the customer's property mutually acceptable to the customer and the utility subject to such requirements as may exist by TCEQ rule. No meters smaller than those identified in Section 1.0 of this tariff will be connected. No pipe or pipe fitting which contains more than 8.0% lead can be used for the installation or repair of plumbing at any connection which provides water for human use. No solder or flux which contains more than 0.2% lead can be used at any connection which provides water for human use.

The utility will have the right of access to the customer's premises at all times reasonable for the purpose of installing, testing, inspecting or repairing water mains or other equipment used in connection with its provision of water service, or for the purpose of removing its property and disconnecting lines, and for all other purposes necessary to the operation of the utility system including inspecting the customer's plumbing for code, plumbing or tariff violations. The customer shall allow the utility and its personnel access to the customer's property to conduct any water quality tests or inspections required by law. Unless necessary to respond to equipment failure, leak or other condition creating an immediate threat to public health and safety or the continued provision of adequate utility service to others, such entry upon the customer's property shall be during normal business hours. The customer may require any utility representative, employee, contractor, or agent seeking to make such entry to identify themselves, their affiliation with the utility, and the purpose of their entry.

Threats to or assaults upon utility personnel shall result in criminal prosecution.

Except in cases where the customer has a contract with the utility for reserve or auxiliary service, no other water service will be used by the customer on the same installation in conjunction with the utility's service, either by means of a cross-over valve or any other connection. Customer shall not connect, or allow any other person or party to connect, onto any water lines on his premises. Two places shall not be permitted to be supplied with one service pipe where there is a water main abutting the premises.

No connection shall be allowed which allows water to be returned to the public drinking water supply. No backflow prevention device shall be permitted to be installed in the customer's plumbing without notice to and written permission from the utility. Any backflow prevention devices so installed shall be inspected annually by a licensed backflow prevention device inspector or appropriately licensed plumber and a written report of such inspection delivered to the utility.

No application, agreement or contract for service may be assigned or transferred without the written consent of the utility.

It is agreed and understood that any and all meters, water lines and other equipment furnished by the utility (excepting the customer's individual service lines from the point of connection to customer's structures on customer's premises) are and shall remain the sole property of the utility, and nothing contained herein or in a contract/application for service shall be construed to reflect a sale or transfer of any such meters, lines or equipment to any customer. All tap and extension charges shall be for the privilege of connecting to said water lines and for installation, not purchase, of said meters and lines.

Applicants for service at new consuming facilities or facilities which have undergone extensive plumbing modifications are required to deliver to the utility a certificate that their facilities have been inspected by a state-licensed inspector and that they are in compliance with all applicable plumbing codes and are free of potential hazards to public health and safety. Service may be denied until the certificate is received or any identified violations or hazards are remedied. The utility is not required to perform these inspections for the applicant/customer, but will assist the applicant/customer to locate and obtain the services of a licensed inspector in a timely manner. When potential sources of contamination are identified which, in the opinion of the inspector or the utility, require the installation of a state-approved backflow prevention device, such backflow prevention device shall be installed on the customer's service line or other necessary plumbing facilities by an appropriately licensed plumber/backflow prevention device specialist at the customer's expense. The backflow prevention device shall be maintained by the customer at his expense and inspected annually by a licensed inspector. Copies of the annual inspection report must be provided to the utility. Failure to comply with this requirement may constitute grounds for termination of water service with notice.

All customers or service applicants shall provide access to meters and utility cutoff valves at all times reasonably necessary to conduct ordinary utility business and after normal business hours as needed to protect and preserve the integrity of the public drinking water supply. Access to meters and cutoff valves shall be controlled by the provisions of 16 T.A.C. § 24.89(c).

Where necessary to serve an applicant's property, the utility may require the applicant to provide it a permanent recorded public utility easement on and across the applicant's real property sufficient to provide service to that applicant.

Service applicants may be required to comply with any pre-condition to receiving service not printed herein as may exist under TCEQ rule (customer service, health and safety, water conservation, or environmental), USEPA rule, TWDB rule, local water or conservation district rule or health department rule. Existing customers shall be required to comply with such rules, including modification of their plumbing and/or consumption patterns, after notice.

Customers must make meters accessible to the utility and its personnel. If they do not, the utility may require the removal of the meter to another location according to Section 24.89(c) of the PUC's rules. The utility will give the customer the option of converting to a remote radio read meter at the customer's expense in lieu of bearing the cost of relocating the meter and any utility water lines necessitated by the customer's actions. If the customer does not accept this option, the customer will be charged for all incurred meter relocation costs. Before relocating the meter, the utility must provide the customer with written notice of its intent to do so.

This notice must include information on the estimated cost of relocating the meter, an explanation of the condition hindering access and what the customer can do to correct that condition, and information on how to contact the utility. The notice must give the customer a reasonable length of time to arrange for utility access so the customer may avoid incurring the relocation cost. A copy of the notice given to the customer shall be filed with the utility's records on the customer's account.

Customers shall not enclose meters with fences or other artificial barriers. If there is a fence in front of a meter, the customer shall install a gate or stile with 300 pound-load bearing capacity to enable meter readers and service crews to obtain ready access to the utility's property.

SECTION 3.0 - EXTENSION POLICY

Section 3.01 - Standard Extension Requirements

LINE EXTENSION AND CONSTRUCTION CHARGES. No contribution in aid of construction may be required of any customer except as provided for in this approved extension policy.

The customer will be given an itemized statement of the costs, options such as rebates to the customer, sharing of construction costs between the utility and the customer, or sharing of costs between the customer and other applicants prior to beginning construction.

The utility will bear the full cost of any oversizing of water mains necessary to serve other customers in the immediate area. The individual residential customer shall not be charged for any additional production, storage, or treatment facilities. Contributions in aid of construction may not be required of individual residential customers for production, storage, treatment or transmission facilities unless otherwise approved by the Commission under this specific extension policy.

COST UTILITY SHALL BEAR. Within its Certificate of Convenience and Necessity ("CCN") service area, the utility will pay the cost of the first 200 feet of any water main or distribution line necessary to extend service to an individual residential customer within a platted subdivision. However, if the residential customer requesting service purchased the property after the developer was notified of the need to provide facilities to the utility, the utility may charge for the first 200 feet. The utility must also be able to document that the developer of the subdivision refused to provide facilities compatible with the utility's facilities in accordance with the utility's approved extension policy after receiving a written request from the utility.

Developers may be required to provide contributions in aid of construction in amounts to furnish the system with all facilities necessary to comply with the PUC's Rules.

SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY

This section contains the utility's specific extension policy that complies with the requirements already stated under Section 3.01. It must be reviewed and approved by the Commission and in compliance with PUC Rules to be effective.

Residential customers not covered under Section 3.01 will be charged the equivalent of the costs of extending service to their property from the nearest transmission or distribution line even if that line does not have adequate capacity to serve the customer. However, if the customer places unique, non-standard service demands upon the system, the customer may be charged the full cost of extending service to and throughout their property, including the cost of all necessary transmission and storage facilities necessary to meet the service demands anticipated to be created by that property.

Developers may be required to provide contributions in aid of construction in amounts sufficient to furnish the development with all facilities necessary to provide for reasonable local demand requirements and to comply with TCEQ minimum design criteria for facilities used in the production, transmission, pumping, or treatment of water or TCEQ minimum requirements. For purposes of this tariff, a developer is one who subdivides or requests more than two meters on a piece of property. Commercial, industrial, and wholesale customers will be treated as developers.

The utility adopts the administrative rules of the PUC, as amended from time to time, as its company specific extension policy. These rules will be kept on file at the company's business office for customer inspection during normal business hours. In the event of a conflict between the PUC's amended rules and the provisions of this tariff, the amended rules shall prevail. Where necessary, any conflicting provision of this tariff shall be deemed to have been superseded by the PUC rule in question to the degree that the utility may conduct its lawful business in conformance with all requirements of said rule.

When an individual residential applicant requires an extension of a main line beyond 200 feet, the charge to that applicant shall be the actual cost of such extension in excess of 200 feet, plus the applicable tap fee plus such other approved costs as may be provided in this tariff and/or PUC rules.

Residential tap fees may be increased by other unique costs not normally incurred as permitted by PUC rule. Larger meter taps shall be made at actual cost associated with that tap which shall include such extraordinary expenses.

Any service extension to a subdivision (recorded or unrecorded) may be subject to the provisions and restrictions of 16 T.A.C. 24.86(d) and this tariff. When a developer wishes to extend the system to prepare to service multiple new connections, the charge shall be the cost of such extension, plus a pro-rata charge based upon the capacities of production, transmission, storage, pumping and treatment facilities, compliant with the TCEQ minimum design criteria, which must be committed to such extension. As provided by 16 T.A.C. 24.86(d)(4), for purposes of this tariff, commercial, industrial, and wholesale customers shall be treated as developers.

Any applicant who places unique or non-standard service demands on the system may be required to provide contributions in aid of construction for the actual costs of any additional facilities required to

maintain compliance with the TCEQ minimum design criteria for water production, treatment, pumping, storage and transmission.

Unless expressly exempted by PUC rule or order, each point of use (as defined by 16 T.A.C. § 24.3) must be individually metered.

The imposition of additional extension costs or charges as provided by Sections 2.20 and 3.20 of this tariff shall be subject to appeal as provided in this tariff, PUC rules, or the rules of such other regulatory authority as may have jurisdiction over the utility's rates and services. Any applicant required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be entitled to a written explanation of such costs prior to payment and/or commencement of construction. If the applicant does not believe that these costs are reasonable or necessary, the applicant shall have the right to appeal such costs to the PUC or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's property(ies) is located. Unless the PUC or other regulatory authority enters interlocutory orders to the contrary, service to the applicant may be delayed until such appeal is resolved.

The utility will provide a written service application form to the applicant for each request for service received by the utility's business offices. A separate application shall be required for each potential service location if more than one service connection is desired by any individual applicant. Service applications forms will be available for applicant pick up at the utility's business office during normal weekday business hours. Service applications will be sent by prepaid first class United States mail to the address provided by the applicant upon request. Completed applications should be returned by hand delivery in case there are questions which might delay fulfilling the service request. Completed service applications may be submitted by mail if hand delivery is not possible.

The utility shall serve each qualified service applicant within its CCN service area as soon as practical after receiving a completed service application. All service requests will be fulfilled within the time limits prescribed by PUC rules once the applicant has met all conditions precedent to achieving "qualified service applicant" status. If a service request cannot be fulfilled within the required period, the applicant shall be notified in writing of the delay, its cause and the anticipated date that service will be available. The PUC service dates shall not become applicable until the service applicant has met all conditions precedent to becoming a "qualified service applicant" as defined herein or by PUC rules.

The utility is not required to extend service to any applicant outside of its CCN service area and will only do so, at the utility's sole option, under terms and conditions mutually agreeable to the utility and the applicant and upon extension of the utility's certificated service area boundaries by the PUC. Service applicants may be required to bear the cost of the service area amendment.

A "qualified service applicant" is an applicant who has: (1) met all of the utility's requirements of service contained in this tariff, PUC rules and/or PUC order, (2) has made all payments for tap fees and extension charges, (3) has provided all necessary easements and rights-of-way necessary to provide service to the requested location, including staking said easements or rights-of-way where necessary, (4) delivered an executed customer service inspection certificate to the utility and (5) has executed a customer service application for each location to which service is being requested.

Where a new tap or service connection is required, the service applicant shall be required to submit a written service application and request that a tap be made. The tap request must be accompanied with a plat, map, diagram or written metes and bounds description of precisely where the applicant desires each

tap or service connection is to be made and, if necessary, where the meter is to be installed, along the applicant's property line. The actual point of connection and meter installation must be readily accessible to utility personnel for inspection, servicing and meter reading while being reasonably secure from damage by vehicles and mowers. If the utility has more than one main adjacent to the service applicant's property, the tap or service connection will be made to the utility's nearest service main with adequate capacity to service the applicant's full potential service demand. If the tap or service connection cannot be made at the applicant's desired location, it will be made at another location mutually acceptable to the applicant and the utility. If no agreement on location can be made, applicant may refer the matter to the PUC for resolution. Unless otherwise ordered by the PUC, the tap or service connection will not be made until the location dispute is resolved.

The utility shall require a developer (as defined by PUC rule) to provide permanent recorded public utility easements as a condition of service to any location within the developer's property. The developer shall be required to obtain all necessary easements and rights-of-way required to extend the utility's existing service facilities from their nearest point with adequate service capacity (as prescribed by PUC or TCEQ rules and local service conditions) to and throughout the developer's property. The easements shall be sufficient to allow the construction, installation, repair, maintenance, testing, and replacement of any and all utility plant necessary to provide continuous and adequate service to each and every potential service location within the property at full occupancy. Unless otherwise restricted by law, well plant sites shall convey with unrestricted rights to produce water for public drinking water supply. The developer shall be required to provide the utility with a minimum of a 160-foot radius sanitary control easement or fee simple real property conveyance around the proposed well site acceptable to the TCEQ for each water well site to be located within the developer's property or otherwise being obtained to serve the developer's property. Unless otherwise agreed to by the utility, pipe line right-of-way easements must be at least 15 feet wide to allow adequate room to facilitate backhoe and other heavy equipment operation and meters. Easements must be provided for all production, storage, treatment, pressurization and disposal sites which are sufficient to construct and maintain all weather roads as prescribed by TCEQ rules. All easements shall be evidenced, at developer's expense, by recorded county-approved subdivision plat or by specific assignment supported by metes and bounds survey from a surveyor licensed by the State of Texas.

Prior to the extension of utility service to developers (as defined by PUC rules) or new subdivisions, the developer shall comply with the following:

- (a) The developer shall make a written request for service to property that is to be subdivided and developed. The developer shall submit to the utility a proposed plat on a scale of one inch (1") to two hundred feet (200') for review and determination of required easements, utility plant, and plant location. If sewer service is requested, the plat must contain elevation data. A reconcilable deposit in an amount set by the utility may be required to cover preliminary engineering, legal and copy cost to be incurred by the utility in reviewing and planning to meet this service request. The plat and/or accompanying information shall identify the type, location and number of houses and other planned structures that will be requiring utility service. If other than residential structures are to be located on the property, all other types of anticipated businesses and their service demands shall be identified with specificity. All areas requiring special irrigation and/or other unique water demands must be identified. To the extent reasonably possible, this information must be precise so that adequate facilities can be designed and constructed to meet all future service demands without hazard to the public, other utility customers and/or the environment.

- (b) After the requirements of easements and rights-of-way have been determined, a red line copy will be returned by the utility to the developer for final plat preparation.
- (c) Copies of all proposed plats and plans must be submitted to the utility prior to their submission to the county for approval to insure that they are compatible with the adequate long-term utility needs of potential service customers. Copies will be returned after review by the utility so that necessary changes may be incorporated into the developer's final submitted plat(s) and plans.
- (d) The utility shall be provided with three (3) certified copies of the final plat(s) approved by the County Commissioners Court. At this time, the utility will begin engineering the facilities necessary to serve the property. Plans and specifications will be prepared and submitted to the TCEQ by the utility if required by law. If further plat or plans changes are necessary to accommodate the specific service needs of the property and the anticipated customer demands, the developer will be so notified. Plat amendments must be obtained by the developer. The developer shall be notified when all required TCEQ or other governmental approvals or permits have been received. No construction of utility plant which requires prior TCEQ plans approval shall be commenced until that approval has been received by the utility and any conditions imposed by the TCEQ in association with its approvals have been satisfied.
- (e) The developer shall be required to post bond or escrow the funds necessary to construct all required utility plant, except individual taps, meters and sewer connections, required to serve the property. Construction shall not commence until funds are available. If the construction is to be done in coordination with the phased development of the property, funds must be provided in advance which are sufficient to complete each phase. No phase or facilities for any phase shall be constructed prior to the bonding or escrowing of all funds associated with that phase.
- (f) At the sole option of the utility, the developer may be required to execute a Developer Extension Contract setting forth all terms and conditions of extending service to their property including all contributions-in-aid of construction and developer reimbursements, if any.
- (g) The utility may require the developer to commence construction of subdivision improvements within three (3) months of utility plans approval or the utility may abate its construction activities until full development construction begins. If the developer stops construction of subdivision improvements for any purpose, the utility may abate its construction for a similar period.
- (h) As soon as the roads are rough cut and prior to paving, extension lines will need to be constructed at each road crossing. The developer must notify the utility sufficiently in advance of this development stage to allow for the necessary utility construction without disruption to other service operations of the utility. Failure to provide adequate advance notice and cooperation in the construction of necessary utility plant may result in additional delays in obtaining service to the property. The developer shall be required to pay for all additional costs of road boring or other remedial construction necessary to

install adequate utility plant throughout the affected property.

- (i) The developer, not the utility, shall insure that developer's employees, agents, contractors and others under its control coordinate their work or construction throughout the property with the utility to insure the orderly and timely construction of all utility plant necessary to serve the public.

Within its CCN service area, the utility shall bear the cost of the first 200 feet of any water main or sewer collection line necessary to extend service to an individual residential service applicant within a platted subdivision unless the utility can document:

- (a) that the developer of the subdivision refused to provide facilities compatible with the utility's facilities in accordance with the utility's approved extension policy after receiving a written request from the utility; or,
- (b) that the developer defaulted on the terms and conditions of a written agreement or contract existing between the utility and the developer or the terms of this tariff regarding payment for services, extensions, or other requirements; or in the event the developer declared bankruptcy and was therefore unable to meet obligations; and,
- (c) that the residential service applicant purchased the property from the developer after the developer was notified of the need to provide facilities to the utility. A residential service applicant may be charged the remaining costs of extending service to his property; provided, however, that the residential service applicant may only be required to pay the cost equivalent to the cost of extending the nearest water main, whether or not that line has adequate capacity to serve that residential service applicant.

The following criteria shall be considered to determine the residential service applicant's cost for extending service:

- 1. The residential service applicant shall not be required to pay for costs of main extensions greater than 2" in diameter for water distribution.
- 2. Exceptions may be granted by the PUC if:
 - a. adequate service cannot be provided to the applicant using the maximum line sizes listed due to distance or elevation, in which case, it shall be the utility's burden to justify that a larger diameter pipe is required for adequate service;
 - b. larger minimum line sizes are required under subdivision platting requirements or applicable building codes.
- 3. If an exception is granted, the utility shall establish a proportional cost plan for the specific extension or a rebate plan which may be limited to seven years to return the portion of the applicant's costs for oversizing as new customers are added to ensure that future applicants for service on the line pay at least as much as the initial service applicant.

For purposes of determining the costs that service applicants shall pay, commercial customers with

service demands greater than residential customer demands in the certificated area, industrial, and wholesale customers shall be treated as developers.

A service applicant requesting a one inch meter for a lawn sprinkler system to service a residential lot is not considered nonstandard service.

SECTION 4.0 -- DROUGHT CONTINGENCY PLAN

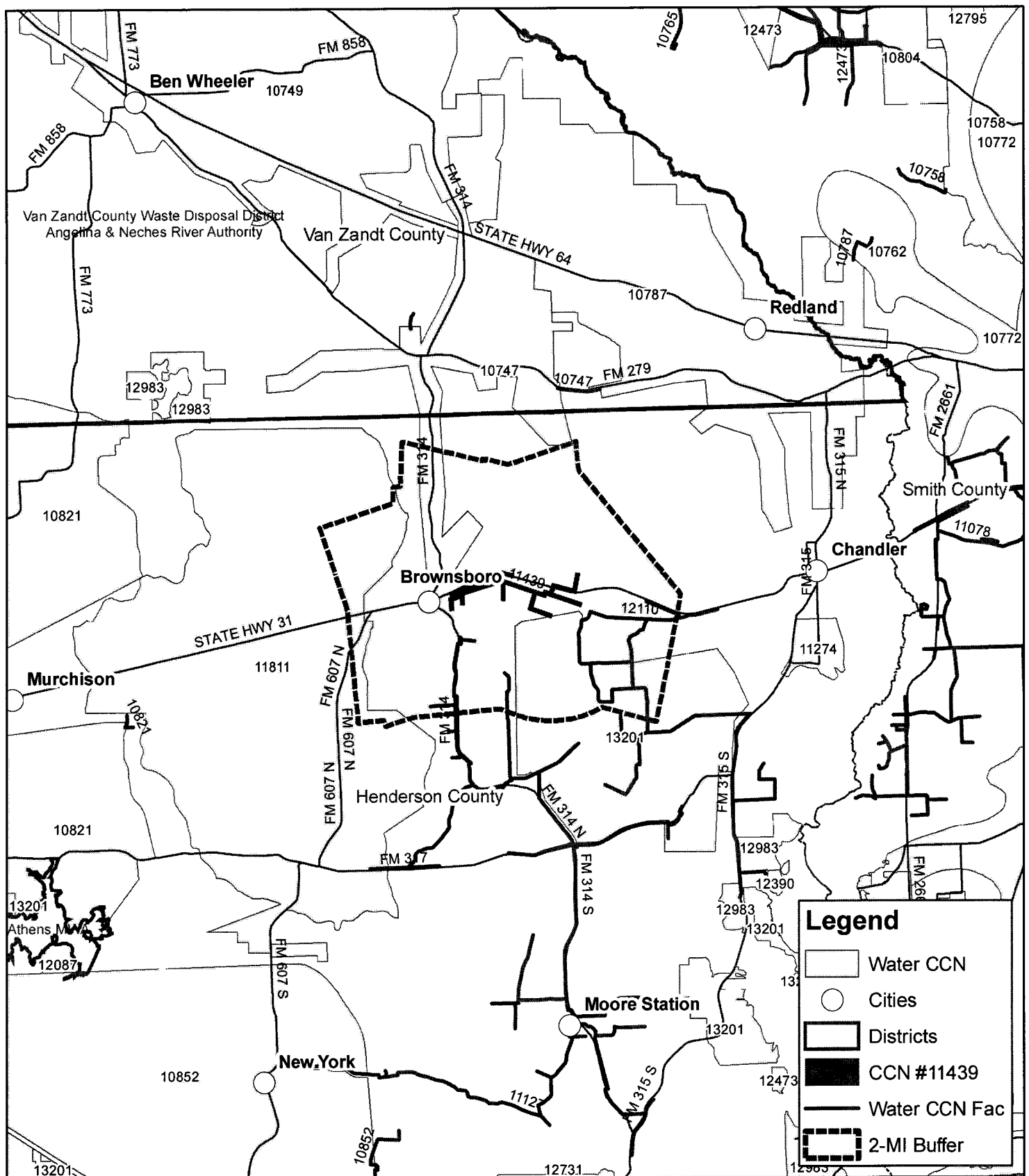
(Utility must attach copy of TCEQ approved Drought Contingency Plan)

ATTACHMENT

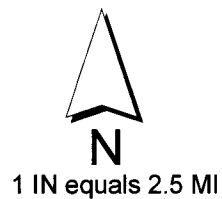
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Neighboring Systems

City of Brownsboro, Texas
City of Moore Station, Texas
Leagueville WSC
Edom WSC
Three Community WSC

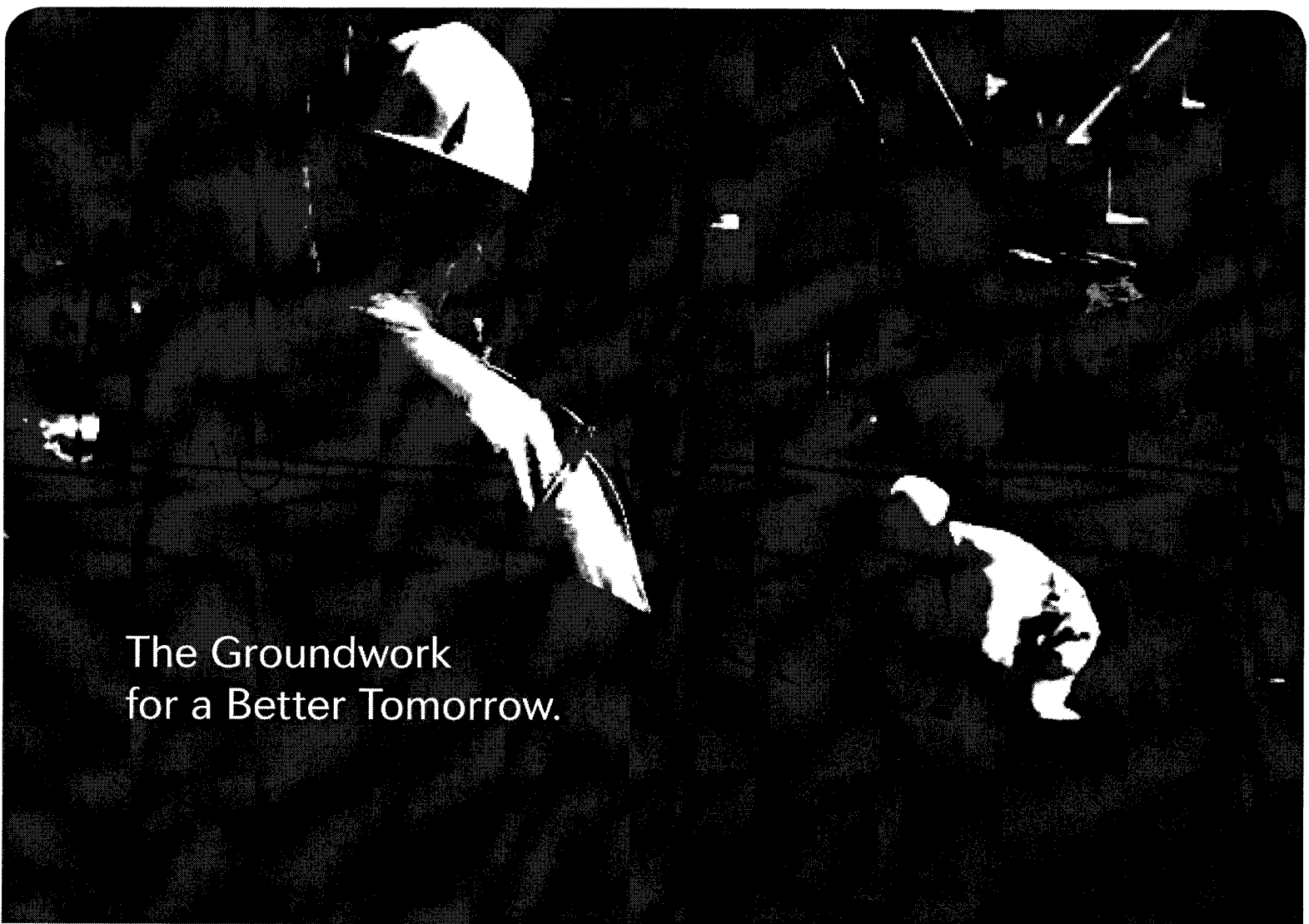


Henderson County - Water Utility



ATTACHMENT

6



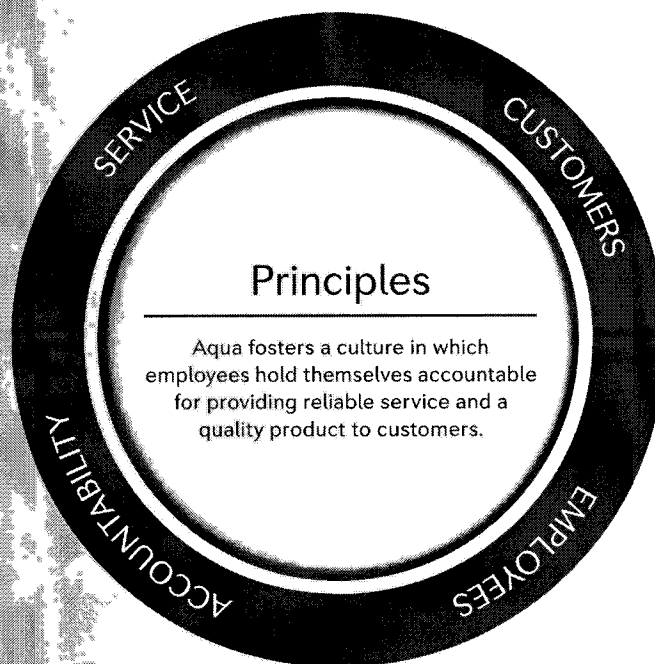
The Groundwork
for a Better Tomorrow.



Aqua is one of the largest U.S.-based, publicly traded water and wastewater utilities, serving nearly three million people in Pennsylvania, Ohio, North Carolina, Texas, Illinois, New Jersey, Indiana and Virginia. Aqua America, Inc. is listed on the New York Stock Exchange under the ticker symbol WTR.

The Groundwork for a Better Tomorrow.

At Aqua, we're committed to renewing and improving our water and wastewater infrastructure through thoughtful and continuous capital investment. This commitment not only ensures reliable service and quality water for our current and future customers, but it demonstrates a more fiscally efficient approach to ensuring the sustainability of our business, the industry and the environment. As a steward of Earth's most recycled resource, Aqua takes equal care in preparing fresh water for drinking as it does treating wastewater for its return to Earth. For nearly 130 years, we've successfully employed engineering, technology and sophisticated business principles to grow Aqua into one of the nation's most efficient utilities.



Financial Highlights

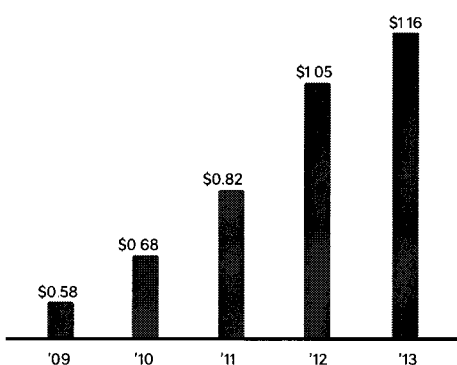
(in thousands of dollars, except per share amounts)

	2013	2012	% Change
Net income	\$ 221,300	\$ 196,563	13%
Diluted net income per common share ⁽¹⁾	1.25	1.12	12%
Annualized dividend rate			
per common share (12/31) ⁽¹⁾	0.61	0.56	9%
Aqua America stockholders' equity	1,534,835	1,385,704	11%
Total assets	5,051,817	4,858,517	4%
Number of utility customers served ⁽²⁾	941,008	928,667	1%

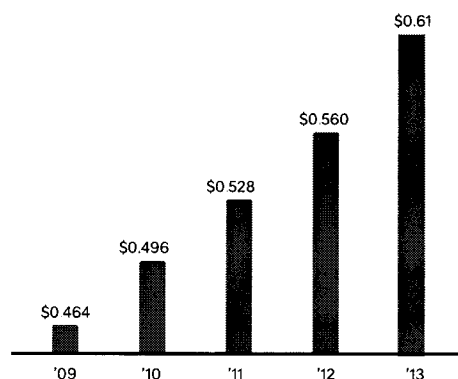
(1) Revised for 2013 5-for-4 stock split

(2) 2012 excludes 39,690 customers associated with utility systems disposed of during 2013

Income from Continuing
Operations per Share (diluted)

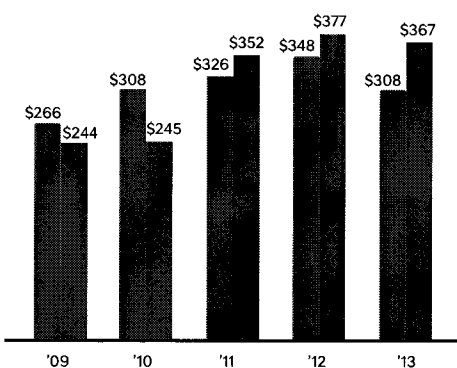


Dividend per Share
(split-adjusted, annualized)
5-year compound annual growth rate = 7.1%



Cash Generation and CapEX
(in millions)

■ Capital Expenditures
■ Operating Cash Flow from Continuing Operations



Weighted Average Cost of
Long-Term Fixed-Rate Debt

