

**SECTION II: OPERATIONAL INFORMATION - WATER**

**EMPLOYEES**

Employee ID: 00456 Relationship to owner: Employee

Short job description: Regional Environmental Compliance Manager - Texas

Approximate number of hours per week this person works for the company: 10

Salary: See Endnote ( ) Hourly- ( ) Weekly- ( ) Monthly- (X) Annual

Employee ID: 101505 Relationship to owner: Employee

Short job description: Customer Field Services Supervisor TX

Approximate number of hours per week this person works for the company: 10

Salary: See Endnote ( ) Hourly- ( ) Weekly- ( ) Monthly- (X) Annual

Employee ID: 100097 Relationship to owner: Employee

Short job description: Fixed Asset Accountant

Approximate number of hours per week this person works for the company: 10

Salary: See Endnote ( ) Hourly- ( ) Weekly- ( ) Monthly- (X) Annual

Employee ID: 102016 Relationship to owner: Employee

Short job description: Financial Accountant

Approximate number of hours per week this person works for the company: 10

Salary: See Endnote ( ) Hourly- ( ) Weekly- ( ) Monthly- (X) Annual

Employee ID: 101602 Relationship to owner: Employee

Short job description: President and Chief Operating Officer - Aqua Texas

Approximate number of hours per week this person works for the company: 10

Salary: See Endnote ( ) Hourly- ( ) Weekly- ( ) Monthly- (X) Annual

Employee ID: 101612 Relationship to owner: Employee

Short job description: Executive Assistant

Approximate number of hours per week this person works for the company: 10

Salary: See Endnote ( ) Hourly- ( ) Weekly- ( ) Monthly- (X) Annual

**SECTION II: OPERATIONAL INFORMATION - WATER**

**EMPLOYEES**

Employee ID: 101628 Relationship to owner: Employee  
 Short job description: Environmental Compliance Coordinator

Approximate number of hours per week this person works for the company: 10  
 Salary: See Endnote ( ) Hourly- ( ) Weekly- ( ) Monthly- (X) Annual

Employee ID: 50172 Relationship to owner: Employee  
 Short job description: Vice President - Operations & Engineering

Approximate number of hours per week this person works for the company: 10  
 Salary: See Endnote ( ) Hourly- ( ) Weekly- ( ) Monthly- (X) Annual

Employee ID: N/A Relationship to owner: Employee  
 Short job description: Controller

Approximate number of hours per week this person works for the company: 10  
 Salary: See Endnote ( ) Hourly- ( ) Weekly- ( ) Monthly- (X) Annual

Employee ID: 100228 Relationship to owner: Employee  
 Short job description: Rates & Regulatory Manager

Approximate number of hours per week this person works for the company: 10  
 Salary: See Endnote ( ) Hourly- ( ) Weekly- ( ) Monthly- (X) Annual

Employee ID: 80093 Relationship to owner: Employee  
 Short job description: Financial Accountant Assistant

Approximate number of hours per week this person works for the company: 10  
 Salary: See Endnote ( ) Hourly- ( ) Weekly- ( ) Monthly- (X) Annual

Employee ID: 101950 Relationship to owner: Employee  
 Short job description: Accounting Assistant

Approximate number of hours per week this person works for the company: 10  
 Salary: See Endnote ( ) Hourly- ( ) Weekly- ( ) Monthly- (X) Annual

Employee ID: 102122 Relationship to owner: Employee  
 Short job description: Accounting Assistant

Approximate number of hours per week this person works for the company: 10  
 Salary: See Endnote ( ) Hourly- ( ) Weekly- ( ) Monthly- (X) Annual

**ENDNOTE: Due to the fact that this filing must be made available to the general public for review, the Company has withheld the names and salaries of its employees due to privacy issues. Employees names and salaries will be made available to the TCEQ Staff upon request.**

**SECTION III. PLANT & EQUIPMENT INFORMATION - WATER**

**A. CUSTOMER CONTRIBUTIONS \***

If any of the items included in your plant and equipment were 100% financed with customer contributions, assessments, surcharges, extension fees, etc., you may not include depreciation or return on those items in your cost of service. However, if those customer contributions did not cover the entire cost of the asset, you may include the amount that the utility paid for. Please list below all items that were funded either all or in part by customer contributions and indicate amount that the customers contributed for each item.

**Table III. A.**

Item [A]	Date of Installation [B]	Total Cost [C]	Amount of Customer Contribution [D]	Difference [E] = [C] - [D]
333-SERVICES	Various	\$2,350,417	(\$279,997)	\$2,630,414
334-METERS & INSTALLATIONS	Various	\$5,517,061	(\$562,809)	\$6,079,870

- Attach additional sheet(s) if necessary -

\* Both customer contributions and related tap and plant costs are booked to the appropriate NARUC plant accounts. Thus, any excess or shortage of installation costs resulting from customer tap fees are included in Rate Base. See Attachment NT 2 workpapers.

**B. ORIGINAL COST & DEPRECIATION SCHEDULE - WATER \*\*\***

Please provide the following inventory of the water utility plant being used to provide water service at the end of the test year. You will be responsible for supporting this information with invoices or other documentation. Round your figures to the nearest dollar. **Amounts should be computed as of the end of the "test year."**

**Table III. B.**

[A] Item	[B] Date of Installation	[C] Service Life (Yrs)		[D] Original Cost when Installed (\$)	Years in Service			[E] = [D]/[C] Annual (\$)		[F] Accumulated (\$)	[G] = [D]-[F] Net Book Value (\$)
		*	**		Yrs	Mos	Days				
Land		n/a									
Wells											
Well Pumps:											
5 hp or less		5									
greater than 5 hp		10									
Booster Pumps:											
5 hp or less		5									
greater than 5 hp		10									
Chlorinators		10									
Structures:											
Wood		15									
Masonry		30									
Storage Tanks		50									
Pressure Tanks		50									
Distribution System		50									
Meters and Services		20									
Office Equipment		10									
Vehicles		5									
Shop Tools		15									
Heavy Equipment		10									
Fencing		20									
<b>Total</b>				\$0				\$0 <sup>①</sup>	\$0 <sup>②</sup>	\$0 <sup>③</sup>	

\* TCEQ Suggested Service Life \*\* Other Service Life

① Enter this number in Table VI. A., Line [O], Column ①

③ Enter this number in Table IV. E., Line [A]

② If [F] is greater than [D], enter the total for [D]

**\*\*\* AQUA TEXAS REQUESTS TO CHANGE ITS DEPRECIATION SERVICE LIVES AND TO IMPLEMENT GROUP DEPRECIATION BY NARUC ACCOUNT. SEE NEXT PAGE: SECTION III.B ALTERNATIVE - ORIGINAL COST & DEPRECIATION SCHEDULE BY NARUC ACCOUNT.**

SECTION III.B ALTERNATIVE - ORIGINAL COST & DEPRECIATION SCHEDULE BY MARUC ACCOUNT  
 NET BOOK VALUE OF WATER ASSETS IN RATE BASE & DEPRECIATION SCHEDULE 12/31/2010  
 AQUA TEXAS-NORTH WATER

DEPRECIABLE MARUC ACCOUNT GROUP Acct No.	Acct Description	SURVIVOR CURVE	NET SAVAGE	ORIGINAL COST AS OF 12/31/2010	BOOK RESERVE	BOOK VALUE	FUTURE ACCRUALS	ANNUAL ACCURR RATE (2)	ACCRUAL RATE LIFE	COMPOSITE REMAINING LIFE	PROPOSED ANNUAL DEPRECIATION EXPENSE
<b>STRUCTURES AND IMPROVEMENTS</b>											
304.20	SOURCE OF SUPPLY AND PUMPING	45-R3	(5)	\$1,700,278	\$515,863	\$1,184,416	\$1,269,430	2.01%	49.8	37.1	\$34,176
304.30	WATER TREATMENT	55-R3	(5)	\$2,478,512	\$889,040	\$1,589,472	\$1,713,398	1.44%	69.4	48.0	\$35,691
304.40	TRANSMISSION AND DISTRIBUTION	40-R2.5	(5)	\$779,407	\$180,544	\$598,863	\$637,833	2.48%	40.3	33.0	\$19,329
304.50	GENERAL	45-R3	0	\$867,426	\$255,445	\$611,981	\$611,981	2.08%	48.1	33.9	\$18,042
305.00	COLLECTING AND IMPOUNDING RESERVOIRS	60-R2.5	0	\$984	\$108	\$876	\$876	1.63%	61.3	54.6	\$16
306.00	LAKE, RIVER AND OTHER INTAKES	60-S1.5	0	\$32,946	\$4,066	\$28,880	\$28,880	1.58%	63.3	0.0	\$521
307.00	WELLS AND SPRINGS	50-R3	(5)	\$17,523,961	\$5,381,044	\$12,142,917	\$13,019,115	2.50%	40.0	29.7	\$438,099
309.00	SUPPLY MAINS	60-S2.5	(10)	\$1,258,846	\$280,392	\$978,453	\$1,104,338	1.70%	58.8	51.6	\$21,400
310.20	POWER GENERATION EQUIPMENT	30-S2.5	0	\$631,362	\$66,983	\$564,379	\$564,379	3.28%	30.5	27.3	\$20,709
<b>PUMPING EQUIPMENT</b>											
311.20	SOURCE OF SUPPLY AND PUMPING	36-R0.5	(5)	\$5,802,370	\$2,475,522	\$3,326,848	\$3,616,967	1.82%	54.9	34.3	\$105,603
311.30	WATER TREATMENT	35-R2.5	(5)	\$197,028	\$71,755	\$125,273	\$135,124	2.63%	38.0	26.1	\$5,182
311.40	TRANSMISSION AND DISTRIBUTION	35-R2	(5)	\$2,687,841	\$1,290,941	\$1,396,900	\$1,531,292	1.95%	51.3	29.2	\$52,413
	TOTAL PUMPING EQUIPMENT			\$8,687,239	\$3,838,218	\$4,849,021	\$5,783,383				
320.00	WATER TREATMENT EQUIPMENT	45-R2.5	(10)	\$899,716	\$310,035	\$589,681	\$679,652	2.01%	49.8	37.6	\$18,084
330.00	DISTRIBUTION RESERVOIRS AND STANDPIPES	50-S1	(10)	\$8,618,521	\$2,788,085	\$5,830,436	\$6,692,288	2.11%	47.4	36.8	\$181,851
331.00	TRANSMISSION AND DISTRIBUTION MAINS	75-R4	(15)	\$22,834,711	\$6,664,399	\$16,170,311	\$19,595,518	1.40%	71.4	61.3	\$319,686
333.00	SERVICES	27-S1.5	(25)	\$2,350,417	\$278,324	\$2,072,093	\$2,659,697	5.88%	17.0	19.2	\$138,205
334.00	METERS AND METER INSTALLATIONS	30-S1	0	\$5,517,061	\$2,715,877	\$2,801,184	\$2,801,184	2.17%	46.1	23.4	\$119,720
335.00	FIRE HYDRANTS	70-R3	(10)	\$232,582	\$104,695	\$127,887	\$151,145	1.35%	74.1	48.1	\$3,140
<b>OTHER PLANT AND MISCELLANEOUS EQUIPMENT</b>											
339.10	INTANGIBLE	20-R4	0	\$4,404	\$1,652	\$2,753	\$2,753	0.00%	0.0	0.0	\$0
339.20	SOURCE OF SUPPLY AND PUMPING	30-R3	0	\$56,745	\$20,780	\$35,965	\$35,965	1.83%	54.6	34.6	\$1,038
339.30	WATER TREATMENT	30-S2.5	0	\$9,386	\$2,106	\$7,280	\$7,280	1.45%	69.0	53.5	\$136
339.40	TRANSMISSION AND DISTRIBUTION	35-R3	0	\$113,574	\$29,895	\$83,678	\$83,678	1.45%	69.0	50.8	\$1,647
	TOTAL OTHER PLANT AND MISCELLANEOUS EQUIPMENT			\$184,109	\$54,433	\$129,676	\$129,676				
340.00	OFFICE FURNITURE AND EQUIPMENT	20-SQ	0	\$1,282	\$22,744	(\$21,462)	(\$21,462)	10.00%	10.0	-167.4	\$128
341.00	TRANSPORTATION EQUIPMENT	10-S0	5	\$596,662	\$13,483	\$583,179	\$553,346	15.45%	6.5	6.0	\$92,184
343.00	TOOLS, SHOP AND GARAGE EQUIPMENT	20-SQ	0	\$111,228	\$6,911	\$104,318	\$104,318	7.03%	14.2	13.3	\$7,819
344.00	LABORATORY EQUIPMENT	15-SQ	0	\$0	\$0	\$0	\$0	8.51%	11.8	0.0	\$0
345.00	POWER OPERATED EQUIPMENT	20-L3	0	\$15,253	\$4,024	\$11,229	\$11,229	5.97%	16.8	12.3	\$911
346.00	COMMUNICATION EQUIPMENT	15-SQ	0	\$120,168	\$50,557	\$69,611	\$69,611	8.94%	11.2	6.5	\$10,743
347.00	MISCELLANEOUS EQUIPMENT	15-SQ	0	\$90,332	\$9,435	\$80,897	\$80,897	8.01%	12.5	11.2	\$7,236
348.00	OTHER TANGIBLE PLANT	20-SQ	0	\$81,467	\$102,308	(\$20,841)	(\$20,841)	7.95%	12.6	-3.2	\$6,477
	TOTAL DEPRECIABLE PLANT PER BOOKS			\$75,614,470	\$24,537,014	\$51,077,456	\$57,719,870				

SECTION III.B ALTERNATIVE - ORIGINAL COST & DEPRECIATION SCHEDULE BY MARUC ACCOUNT  
 NET BOOK VALUE OF WATER ASSETS IN RATE BASE & DEPRECIATION SCHEDULE 12/31/2010  
 AQUA TEXAS-NORTH WATER

DEPRECIABLE MARUC ACCOUNT GROUP Acct. No.	Acct. Description	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
		SURVIVOR CURVE	NET SALVAGE	ORIGINAL COST AS OF 12/31/2010	BOOK RESERVE	NET BOOK VALUE	FUTURE ACCRUALS	ANNUAL ACCRUAL RATE (2)	ACCRUAL RATE LIFE	COMPOSITE REMAINING LIFE	PROPOSED ANNUAL DEPRECIATION EXPENSE
<b>NONDEPRECIABLE PLANT</b>											
301.00	ORGANIZATION		0	\$267,472	\$55,484	\$211,988	\$211,988	5.00%	20.0	15.9	\$13,374
302.00	FRANCHISES		0	\$17,775	\$84	\$17,690	\$17,690	10.02%	10.0	9.9	\$1,781
303.20	LAND AND LAND RIGHTS - SOURCE OF SUPPLY AND PUMPING		0	\$3,195,763	(\$16,445)	\$3,212,208	\$3,212,208	0.00%	0.0	0.0	\$0
303.30	LAND AND LAND RIGHTS - WATER TREATMENT		0	\$78,088	\$0	\$78,088	\$78,088	0.00%	0.0	0.0	\$0
303.40	LAND AND LAND RIGHTS - TRANSMISSION AND DISTRIBUTION		0	\$421,185	\$7,098	\$414,087	\$414,087	0.00%	0.0	0.0	\$0
303.50	LAND AND LAND RIGHTS - GENERAL		0	\$2,231,645	\$1,689	\$2,229,956	\$2,229,956	0.00%	0.0	0.0	\$0
	<b>TOTAL NONDEPRECIABLE PLANT PER BOOKS</b>			<b>\$6,211,928</b>	<b>\$47,911</b>	<b>\$6,164,016</b>	<b>\$6,164,016</b>				
	<b>ADD NORTH WATER SHARE OF TEXAS CORPORATE OFFICE PLANT (1)</b>			<b>\$1,455,026</b>	<b>\$135,991</b>	<b>\$1,319,035</b>	<b>\$1,319,035</b>				<b>\$143,028</b>
	<b>ADD PHFU TO BE MOVED TO WATER PLANT</b>										
303.20	LAND AND LAND RIGHTS - SOURCE OF SUPPLY AND PUMPING	0.00	0	\$2,108	\$0	\$2,108	\$2,108	0.00%	0.0	0.0	\$0
304.40	TRANSMISSION AND DISTRIBUTION	40-R2.5	(5)	\$18,454	\$2,949	\$15,505	\$16,427	2.48%	40.3	35.9	\$458
307.00	WELLS AND SPRINGS	50-R3	(5)	\$5,527	\$615	\$4,912	\$5,188	2.50%	40.0	37.5	\$138
309.00	SUPPLY MAINS	60-S2.5	(10)	\$338,097	\$13,792	\$324,304	\$358,114	1.70%	58.8	62.3	\$5,748
310.20	POWER GENERATION EQUIPMENT	30-S2.5	0	\$11,018	\$843	\$10,175	\$10,175	3.28%	30.5	28.2	\$361
311.20	SOURCE OF SUPPLY AND PUMPING	36-R0.5	(5)	\$12,726	\$2,080	\$10,646	\$11,282	1.82%	54.9	48.7	\$232
331.00	TRANSMISSION AND DISTRIBUTION MAINS	75-R4	(15)	\$45,938	\$3,723	\$42,214	\$49,105	1.40%	71.4	76.4	\$643
334.00	METERS AND METER INSTALLATIONS	30-S1	0	\$28,512	\$1,202	\$27,310	\$27,310	2.17%	46.1	44.1	\$619
	<b>TOTAL PHFU</b>			<b>\$462,379</b>	<b>\$25,204</b>	<b>\$437,174</b>	<b>\$479,710</b>				
	<b>REMOVE CUSTOMER CONTRIBUTIONS</b>										
333.00	SERVICES	27-S1.5	(25)	(\$293,657)	(\$13,660)	(\$279,997)	(\$353,411)	5.88%	17.0	20.5	(\$17,267)
334.00	METERS AND METER INSTALLATIONS	30-S1	0	(\$503,622)	\$9,188	(\$562,809)	(\$562,809)	2.17%	46.1	51.5	(\$10,929)
	<b>TOTAL CIAC</b>			<b>(\$797,278)</b>	<b>\$45,528</b>	<b>(\$842,806)</b>	<b>(\$916,220)</b>				
	<b>AMOUNT INCLUDED IN RATE BASE AND COST OF SERVICE</b>					<b>\$58,154,876</b>					<b>\$1,798,371</b>
<b>(1) ADD SW WATER SHARE OF TEXAS CORPORATE OFFICE PLANT (1)</b>											
	Texas Corporate - 304.50		0	\$131,386	\$17,908	\$113,478	\$113,478	2.08%	48.1	41.5	\$2,733
	Texas Corporate - 340.00		0	\$5,987,310	\$553,961	\$5,433,349	\$5,433,349	10.00%	10.0	9.1	\$598,731
	<b>Total</b>			<b>\$6,118,696</b>	<b>\$571,869</b>	<b>\$5,546,826</b>	<b>\$5,546,826</b>				<b>\$601,464</b>
	Allocate Based On Customers			23.78%	23.78%	23.78%	23.78%				23.78%
	SW Share of Texas Corp Plant			\$1,455,026	\$135,991	\$1,319,035	\$1,319,035				\$143,028
	<b>(2) RATES BASED ON RECENT COMPANY WIDE DEPRECIATION STUDY - See ATTACHMENT NT/SW 5</b>										

**C. DEVELOPER CONTRIBUTIONS - WATER**

If any of the Items listed in the Depreciation Schedule were contributed by a developer, please list those items and the associated cost below.

**Table III. C.**

Item	Date of installation or Contribution	Total Cost	Amount of Developer Contribution	Net Book Value
303.50-LAND & LAND RIGHTS - GENERAL	Various	\$2,231,645	(\$122,066)	\$2,109,579
304.20-STRUCT AND IMPRVMENTS- SS	Various	\$1,700,278	(\$102,735)	\$1,597,543
304.40-STRUCT AND IMPRVMENTS - T&D	Various	\$779,407	(\$748)	\$778,659
304.50-STRUCT & IMPRVMENTS -GENERAL	Various	\$867,426	(\$4,398)	\$863,027
307.00-WELLS AND SPRINGS	Various	\$17,523,961	(\$168,460)	\$17,355,500
309.00-SUPPLY MAINS	Various	\$1,258,846	(\$30,806)	\$1,228,040
311.20-PUMPING EQUIPMENT-SS	Various	\$5,802,370	\$0	\$5,802,370
311.40-PUMPING EQUIPMENT-T&D	Various	\$2,687,841	(\$36,983)	\$2,650,858
320.00-WATER TREATMENT EQUIPMENT	Various	\$899,716	(\$8,467)	\$891,249
330.00-DIST RESERVS & STANDPIPES	Various	\$8,618,521	(\$69,160)	\$8,549,361
331.00-TRANS AND DIST MAINS	Various	\$22,834,711	(\$2,935,667)	\$19,899,043
348.00-OTHER TANGIBLE PLANT	Various	\$81,467	\$0	\$81,467
<b>Total</b>		<b>\$65,286,189</b>	<b>(\$3,479,490)</b>	<b>\$61,806,699</b>

Insert this amount in **Table IV. E., Line [E]**

**SECTION IV - LONG TERM DEBT & EQUITY INFORMATION - WATER**

**A. EQUITY**

How much equity or total capital does the company have in the utility?

Enter also in **Table IV. D., Box ③** below

\$88,097,993

**B. RATE OF RETURN**

Return on Equity

Return on Investment

12.00% \*

8.59%

NOTE: You may choose

- an average equity return established by the staff each year and included with the Annual Report Instructions OR
- an interest rate that you think is fair that is less than the rate established by the staff OR
- to use the Rate of Return Worksheet which is attached to the Instructions.

**C. BANKRUPTCY**

Has the utility or utility owner filed bankruptcy within the last seven years?

                     Yes

  X  

                     No

If YES, explain status of applicant at this time.

N/A

\* Refer to Attachment NT/SW 4 for the supporting analysis for the ROE request.



**D. NOTES PAYABLE - WATER**

List the following information concerning debt and equity of the utility and attach copies of notes payable:

Round all percentages to two (2) decimal places.

**TABLE IV.D. \***

[A] Name of Bank/Lender	[B] Date of Issue	[C] Date of Maturity	[D] Original Amount of Loan	[E] Outstanding or Unpaid Balance End of Test Year	[F] Interest Rate	[G] Weighted Average [E] ÷ ② * [F]
<b>PART 1 - Debt</b>						
Note - Unsecured	7/13/2003	Various	\$50,232,277	\$50,232,277	4.87%	1.41%
Note-TIAA/CREF	2/3/2005	2/3/2015	\$6,697,637	\$3,284,981	5.01%	0.09%
Note-Northwestern Mutual	12/28/2006	Various	\$11,382,951	\$11,382,951	5.54%	0.36%
Note-Northwestern Mutual	2/28/2007	2/28/2022	\$5,581,364	\$5,581,364	5.63%	0.18%
Note-Northwestern Mutual	2/28/2007	2/28/2037	\$5,581,364	\$5,581,364	5.83%	0.19%
North Channel Water Authority	Various	Various	\$10,420,285	\$9,610,609	5.10%	0.28%
<b>Total</b>			<b>\$89,895,878 ①</b>	<b>\$85,673,546 ②</b>		<b>2.51% ⑥</b>
<b>Part 2 - Investment/Equity]</b>						
				<b>\$88,097,993 ③</b>	<b>12.00% ④</b>	<b>6.08% ⑦</b>
<b>Total Debt &amp; Equity</b>				<b>\$173,771,539 ⑤</b>		
				<b>Rate of Return:</b>		<b>8.59% ⑧</b>

- ① Total amount of original loans
- ② Total amount of the outstanding balance on the loans
- ③ Equity in the utility - From **Section IV. A.**
- ④ Return on Equity - From **Section IV. B.**
- ⑤ Total of ② + ③
- ⑥ Total weighted average of debt - To **Table V, Line [C]**
- ⑦ Weighted average of Investment/Equity ③ + ④
- ⑧ Sum of ⑥ + ⑦ - To **Table IV. E., Line [G]**

\* Refer Attachment NT 2 workpapers for additional detail on the notes listed above.

**E. INVESTED CAPITAL & RETURN - WATER**

**Table IV. E.**

Net Book Value - From <b>Table III. B., Box ③ (3)</b>	[A]	\$58,154,876
K&M CCNC (Completed Construction Not Classified) <b>(1)(3)</b>	[B]	\$1,454,385
Materials & Supplies Inventories <b>(2)</b>	[D]	\$86,514
Prepayments <b>(2)</b>	[E]	\$46,402
Working Cash Allowance - Table VI.A, Line [L], Column 3 / (+ 8)	[F]	\$852,586
Subtotal - Sum of [A] thru [G]	[H]	\$60,594,764
Developer Contributions - From <b>Table III. C., Box ④</b>	[J]	(\$3,479,490)
Total invested capital [H] - [J]	[K]	<b>\$57,115,274</b>
Rate of return - From <b>Table IV. D., Box ⑤</b>	[L]	<b>8.59%</b>
<b>Return/Interest</b> - If [K] is greater than -0-, then enter [K] * [L]. If [K] is less than -0-, enter -0-. Enter this amount in <b>Table V., Line [A] and Table VI. A., Line [Q], Column ②</b>	[M]	<b>\$4,906,202</b>

- (1) K&M (Known & Measurable) CCNC represents plant that will be in service within a year after the filing of this rate application, but not yet classified in the Company's accounting records according to NARUC Account 106 guidelines. See Attachment NT 2 WP-CCNC a detailed breakdown. This amount does not represent CWIP.
- (2) See Attachment NT 2 WP Other WC (Working Capital)
- (3) Aqua Texas hereby requests a North Region water rate base determination by TCEQ as part of this application.

**SECTION V - INCOME TAX CALCULATION - WATER \***

Use the following table to determine the amount of income tax that can be included in your revenue requirement.

**Table V.**

Return - From <b>Table IV. E., Line [H]</b>	[A]	\$4,906,202
Interest Calculation		
Total Invested Capital - From <b>Table IV. E., Line [F]</b>	[B]	\$57,115,274
Weighted Cost of Debt Capital - Percentage From <b>Table IV. D., Box ⑥</b>	[C]	2.51%
Interest Expense	[D]	\$1,433,593
Taxable Income [A] - [D]	[E]	\$3,472,609
Enter Income Tax from Tax Table *	[F]	\$1,869,866 ①

① To **Table VI. A., Line [P], Column ②**

\* Reflects the statutory tax rate of 35% for Aqua America in accordance with TWC § 13.185 (f).  
(computed below).

**Gross Up Factor Calculation:**

1 Total	1.0000
2 Federal Income Tax	0.3500
3 Net -Line 1- Line 2	0.6500
4 Gross Up Factor 1 / Line 3	<u>1.5385</u>

**SECTION VI - UTILITY INCOME & EXPENSE INFORMATION - WATER**

**A. REVENUE REQUIREMENT \***

Please provide the following information regarding the cost to the utility of providing water utility service over your selected twelve month "test year "

Note 1 - Instead of using the percentages listed, you may take the Total Cost and multiply it by 67% to determine the fixed portion and 33% for the variable portion.

**TABLE VI. A.**

Test Year 12/31/2010 Item	Line	12 Month "test year" per books	Known and Measurable Changes	Revenue Requirement for next yr	% of ③ that is fixed ( Note 1)		Fixed Expenses (Note 1)	Variable Expenses (Note 1)
					% Fixed	% Variable		
		①	②	③=①+②	④		⑤=(③*④)/100	⑥=③-⑤
Salaries and Wages	[A]	\$999,741	\$200,471	\$1,200,212	50	50	\$600,106	\$600,106
Contract Labor	[B]	\$0	\$0	\$0	90	10	\$0	\$0
Purchased water	[C]	\$186,364	(\$186,364)	\$0	0	100	\$0	\$0
Chemicals for treatment	[D]	\$151,916	\$14,767	\$166,684	0	100	\$0	\$166,684
Utilities (electricity)	[E]	\$1,228,961	\$124,224	\$1,353,185	0	100	\$0	\$1,353,185
Repairs/maintenance/supplies	[F]	\$1,180,788	\$124,845	\$1,305,633	50	50	\$652,816	\$652,816
Office expenses	[G]	\$967,190	\$57,997	\$1,025,187	50	50	\$512,593	\$512,593
Accounting & Legal fees	[H]	\$118,392	\$0	\$118,392	100	0	\$118,392	\$0
Insurance	[I]	\$384,980	\$6,266	\$391,246	100	0	\$391,246	\$0
Rate case expense	[J]	\$330,466	(\$244,218)	\$86,248	100	0	\$86,248	\$0
Miscellaneous	[K]	\$1,158,349	\$15,558	\$1,173,907	50	50	\$586,953	\$586,953
<b>Subtotal - Sum of Line [A] thru Line [K]</b>	[L]	\$6,707,145	\$113,547	\$6,820,692	43	57	\$2,948,354	\$3,872,337
Payroll Taxes	[M]	\$103,955	(\$10,758)	\$93,197	50	50	\$46,599	\$46,599
Property and other taxes	[N]	\$543,194	(\$129,465)	\$413,730	100	0	\$413,730	\$0
Annual Depreciation & Amortization - From Table III. B. Box ①	[O]	\$4,504,248	(\$2,674,344)	\$1,829,903	100	0	\$1,829,903	\$0
Income Taxes - From Table V, Line [F]	[P]			\$1,869,866	100	0	\$1,869,866	\$0
Return - From Table IV. E., Line [H]	[Q]			\$4,906,202	100	0	\$4,906,202	\$0
<b>Subtotal - Sum of Line [L] thru Line [Q]</b>	[R]	\$11,858,542	(\$2,701,020)	\$15,933,590	75.4	25	\$12,014,654	\$3,918,936
Other Revenues	[S]	\$389,600	\$0	\$389,600	100	0	\$389,600	\$0
<b>Total Cost = Line [R] - Line [S]</b>	[T]	\$11,468,942	(\$2,701,020)	\$15,543,990	75	25	\$11,625,054	\$3,918,936
<b>Alternative Allocation between Fixed and Variable [Note 1]</b>	[U]			\$15,543,990	67	33	\$10,414,474	\$5,129,517

\* Refer to Attachment NT 2 Workpapers

**B. KNOWN & MEASURABLE CHANGES \***

If you listed anything in TABLE VI. A. above as an increase/decrease expected in the next 12 months, please provide a short explanation by item why there will be a change and how you projected the cost. Changes in cost must be known and measurable and supported by invoices or other documentation.

<b>Adjustment Description</b>	<b>Amount</b>	<b>Alloc To NTX</b>	<b>Requested</b>	<b>Explanation</b>
<b>Adj1 - O&amp;M Payroll</b>				
North Region O&M	\$200,471	100.00%	\$200,471	See Next Page
North Region 401k	\$6,247	100.00%	\$6,247	" " "
<b>Adj2 - Admin Payroll</b>				
North Region Admin	\$25,680	87.01%	\$22,345	" " "
North Region Admin 401k	\$1,117	87.01%	\$972	" " "
Aqua Texas Admin	\$9,099	23.78%	\$2,164	" " "
Aqua Texas Admin 401k	\$1,397	23.78%	\$332	" " "
<b>Adj3 - Payroll Taxes</b>				
North Region O&M	(\$10,758)	100.00%	(\$10,758)	" " "
North Region Admin	\$11,377	87.01%	\$9,899	" " "
Aqua Texas Admin	\$58,759	23.78%	\$13,973	" " "
<b>Adj4 - Purchase Water</b>				
North Region O&M	\$1,963	100.00%	\$1,963	" " "
Move to Pass-thru Charge	(\$188,326)	100.00%	(\$188,326)	" " "
<b>Adj5 - Chemicals</b>				
North Region O&M	\$14,767	100.00%	\$14,767	" " "
<b>Adj6 - Power</b>				
North Region O&M	\$124,224	100.00%	\$124,224	" " "
North Region Admin	\$8,706	87.01%	\$7,576	" " "
<b>Adj7 - Transportation</b>				
North Region O&M	\$124,845	100.00%	\$124,845	" " "
North Region Admin	\$6,199	87.01%	\$5,394	" " "
Aqua Texas Admin	\$7,634	23.78%	\$1,815	" " "
<b>Adj8 - Customer Billing</b>				
North Region O&M	(\$17,223)	100.00%	(\$17,223)	" " "
<b>Adj9 - Benefits</b>				
North Region O&M	\$79,057	100.00%	\$79,057	" " "
North Region Admin	\$44,319	87.01%	\$38,563	" " "
Aqua Texas Admin	(\$90,245)	23.78%	(\$21,460)	" " "
<b>Adj10 Capitalized Benefits</b>				
North Region O&M	(\$63,587)	100.00%	(\$63,587)	" " "
North Region Admin	(\$45,649)	87.01%	(\$39,720)	" " "
Aqua Texas Admin	\$47,227	23.78%	\$11,231	" " "
<b>Adj11 Revenue Related Expense</b>				
North Region O&M	\$111,430	100.00%	\$111,430	" " "
<b>Adj12 - Insurance</b>				
North Region O&M	(\$9,204)	100.00%	(\$9,204)	" " "
North Region Admin	\$314	87.01%	\$273	" " "
Aqua Texas Admin	\$3,120	23.78%	\$742	" " "
<b>Adj 13 - Rate Case Expense</b>				
North Region O&M	(\$244,218)	100.00%	(\$244,218)	" " "
<b>Adj14-Normalize Pumping Fees</b>				
North Region O&M	(\$31,304)	100.00%	(\$31,304)	" " "
Move to Pass-thru Charge	(\$140,857)	100.00%	(\$140,857)	" " "
<b>Adj15 - Other Adjustments</b>				
North Region O&M	(\$1,874,103)	100.00%	(\$1,874,103)	" " "
North Region Admin	(\$276)	87.01%	(\$240)	" " "
Aqua Texas Admin	\$45,829	23.78%	\$10,898	" " "

**B. KNOWN & MEASURABLE CHANGES \***

If you listed anything in TABLE VI. A. above as an increase/decrease expected in the next 12 months, please provide a short explanation by item why there will be a change and how you projected the cost. Changes in cost must be known and measurable and supported by invoices or other documentation.

<u>Adjustment Description</u>	<u>Amount</u>	<u>Alloc To NTX</u>	<u>Requested</u>	<u>Explanation</u>		
<b>KNOWN &amp; MEASURABLE CHANGES * (continued)</b>						
<b>Adj16 - Plant/Asset Related Adjustments</b>						
North Region O&M	(\$796,459)	100.00%	(\$796,459)	"	"	"
<b>Adj17 - Related Expense Adjustments due to Billing Determinants Normalization</b>						
North Region O&M	\$2,123	100.00%	\$2,123	"	"	"
<b>Reconciling Amounts Due To Allocation Factor Change</b>						
North Region Admin		-0.10%	(\$298)			
Aqua Texas Admin		-1.81%	(\$54,568)			
<b>Total Test Year K&amp;M Adjustments</b>			<b><u>(\$2,701,020)</u></b>			

\* Refer to Attachment NT 2 Workpapers for detail on K&M Adjustments.

## K&M ADJUSTMENT EXPLANATIONS

See Attachment NT 2 workpapers (WP) for detailed computations.

- ADJ1 Payroll** - This adjustment normalizes the test year payroll expenses for the North Region. It includes a 4% increase and 4 new positions. Overtime rates were normalized down to reflect the impact of the 4 new positions. The normalized payroll expense for NTX Admin and Texas Admin is allocated to the North Region Water using customer counts. This adjustment normalizes the 401k contributions as well. (see Attachment NT 2 WPs)
- ADJ2 Admin Payroll** - This adjustment normalizes the allocable test year payroll expenses for the North Region Admin and the Aqua Texas Corp office. It includes a 4% increase, normalized overtime rates and expense ratios. This adjustment normalizes 401k contribution costs as well. See Attachment NT 2 WPs
- ADJ3 Payroll Taxes** - This adjustment normalizes the related payroll taxes resulting from the K&M payroll adjustments proposed in ADJs 1 & 2 above. See Attachment NT 2 WPs
- ADJ4 Purchase Water** - This adjustment reflects noticed increases as well as anticipated increases from purchase water suppliers. Additionally, the adjustment includes customer growth and volumetric normalization. After the normalizing adjustments it is removed from the revenue requirement to the pass-through rate appearing in Section X.C.
- ADJ5 Chemicals** - This adjustment reflects noticed increases as well as anticipated increases from chemical suppliers. Additionally, the adjustment reflects customer growth and volumetric normalization.
- ADJ6 Purchase Power** - This adjustment reflects the average of actual increases in Commercial/Industrial ERCOT Electric Rates from 1998 through 2008 per the Energy Information Administration form EIA-861 "Annual Electric Power Industry Report". This report provides the basis for the K&M adjustment regarding electric rate increases. Additionally, the adjustment reflects customer growth and volumetric normalization.
- ADJ7 Transportation Costs** - This adjustment normalizes the higher fuel costs experienced at the end of the test year as well as the expected increases in leasing and maintenance of vehicles.
- ADJ8 ACO Customer Billing Costs** - Reflects the North systems share of the Texas centralized billing and service cost increases beginning in 1/2011.
- ADJ9 Benefits** - This normalizes the test year medical, dental, other benefit expense increases resulting from increases in rates and the new positions proposed in Adj1.
- ADJ10 Capitalized Benefits** - This adjustment reduces test year benefits and payroll tax expenses to reflect the Company's capitalization policy.
- ADJ11 Revenue Related Expenses** - This normalizes revenue related expenses for the test year based on the requested increase in revenue. The expense adjustments are to bad debts and state franchise tax.
- ADJ12 Insurance** - This adjustment normalizes all other non-medical related insurance coverage cost increases as detailed in the workpaper (general liability, auto, etc.).
- ADJ13 Rate Case Expense** - This adjustment reflects rate case costs incurred to prepare and file the rate application before the TCEQ. Amortized over three years.
- ADJ14 Pumping Fees** - This adjustment reflects existing and upcoming pumping fee assessment charges by various governmental entities in the North service area. It includes adjustments for customer growth and volumetric normalization. After the normalizing adjustments, it is removed from the revenue requirement to the pass-through rate appearing in Section X.C.
- ADJ15 Other Adjustments (misc)** - This workpaper provides a series of adjustments. Each adjustment is explained in the workpaper. The adjustments reflect removal of surchargable costs, removal of expenses not appropriate for rate making purposes, etc.
- ADJ16 Plant Related Adjustments** - This adjustment normalizes the depreciation and property tax increases related to the K&M CCNC plant adjustments as presented in Sec IV E.
- ADJ17 Related Expense Adjustments due to Billing Determinants Normalization** - This normalizes revenue related expenses for the test year due to the normalization of the billing determinants due to customer growth and usage fluctuations. The expense adjustments are to bad debts and state franchise tax

**SECTION VII - CUSTOMER INFORMATION - WATER**

**NUMBER OF CUSTOMERS \***

How many customers (active connections) did you have at the beginning and at the end of the twelve month test year?

**TABLE VII**

Connection Type	Line	Beginning of Period ①	End of period ②	Equivalency Factor ③	Meter Equivalents ④=②*③
<b>Non-Metered Connections:</b>					
Residential	[A]	n/a	n/a	1	n/a
Commercial	[B]	n/a	n/a	1	n/a
Standby	[C]	n/a	n/a	1	n/a
<b>Metered Connections:</b>					
5/8" x 3/4"	[D]	16,105	16,363	1.0	16,363
1"	[E]	95	96	2.5	239
1 1/2"	[F]	0	0	5.0	0
2"	[G]	7	7	8.0	60
3"	[H]	1	1	16.0	16
4"	[I]	0	0	25.0	0
6"	[J]	0	0	50.0	0
8"	[K]	0	0	80.0	0
10"	[L]	0	0	115.0	0
12"	[M]	0	0	250.0	0
<b>Total</b>	[N]	<b>16,208</b>	<b>16,467</b>		<b>⑤ 16,678</b>

© To Table IX. B., Line [B] AND Table X. A., Line [F]

\* All connections represent active retail customers. Refer to Attachment NT 2 Workpapers



**SECTION VIII - PRODUCTION & CONSUMPTION INFORMATION - WATER**

Please provide the following information regarding water utility operations over your selected twelve month "test year".

**Table VIII**

Total number of gallons pumped less adjustments (total master meter reading for the year)	[A]	1,754,707	1000 gallons
Total number of gallons purchased from another source for sale to customers (if any) <b>(1)</b>	[B]	34,777	1000 gallons
Total number of gallons provided to customers <b>[C]=[A]+[B]</b>	[C]	1,789,484	1000 gallons
Total number of gallons billed to your customers + Footnote <b>(2)</b> (total customer consumption)	[D]	1,540,283	1000 gallons
System losses: $\frac{[C] - [D]}{[C]} \times 100\% = [E]$	[E]	13.93%	N/A
Sources of Purchased water <b>(1)</b>			

- (1) Refer to Attachment NT 2 Workpapers for Volumes purchased**
- (2) These volumes represent volumes sold plus the 1000 gals used for flushing due to repaired leaks and 1000 gals stolen. See Attachment NT 2 , WP Non Rev Water.**

a To Table IX. A., Line [B] and Table X. A., Line [B]

SECTION IX - RATE DESIGN - WATER \*

A. VARIABLE RATE CALCULATIONS \*

Table IX. A.

	Line			Instructions
Total Variable Costs	[A]		\$3,918,936	From Table VI. A., Line [T], Box ⑥ or Line [U], Box ⑥
Total # of Gallons Billed to Customers *	[B]		1,381,006,816	See Adj17 Workpapers
Total # of 1,000 Gallons billed *	[C]		1,381,007	See Adj17 Workpapers
Variable Cost per 1,000 gallons	[D]		\$2.8400	Divide Line [A] by Line [C] Transfer to Table IX. B., Lines [E] through [J], Box ⑥

B. BASE RATE CALCULATIONS \*

Table IX. B.

	Line		# of 1000 gallons in base bill	Variable cost per 1,000 gals	Variable cost to be added to base rate	Total base rate per meter size	
		①	②	③	④=②*③	⑤=①+④	
Total fixed costs - From Table VI. A., Line [T], Box ⑥ or Line [U], Box ⑥	[A]	\$11,625,054					
Total meter equivalents at end of test year - From Table VII, Line [L], Box ⑥	[B]	16,678					
Base charge per meter equivalent or for each unmetered connection [A]÷[B] and then divide by 12	[C]	\$58.09					
Base charge per meter size							
5/8" x 3/4"	Multiply [C] by 1	[D]	\$58.09	0	\$2.84 ⑥	\$0.00	\$58.09
1"	Multiply [C] by 2.5	[E]	\$145.22	0	\$2.84 ⑥	\$0.00	\$145.22
1 1/2"	Multiply [C] by 5.0	[F]	\$290.43	0	\$2.84 ⑥	\$0.00	\$290.43
2"	Multiply [C] by 8.0	[G]	\$464.69	0	\$2.84 ⑥	\$0.00	\$464.69
3"	Multiply [C] by 16.0	[H]	\$929.39	0	\$2.84 ⑥	\$0.00	\$929.39
4"	Multiply [C] by 25.0	[I]	\$1,452.16	0	\$2.84 ⑥	\$0.00	\$1,452.16
6"	Multiply [C] by 50.0	[J]	\$2,904.33	0	\$2.84 ⑥	\$0.00	\$2,904.33
8"	Multiply [C] by 80.0	[K]	\$4,646.93	0	\$2.84 ⑥	\$0.00	\$4,646.93
10"	Multiply [C] by 115.0	[L]	\$6,679.96	0	\$2.84 ⑥	\$0.00	\$6,679.96
12"	Multiply [C] by 250.0	[m]	\$14,521.64	0	\$2.84 ⑥	\$0.00	\$14,521.64

⑥ From Table IX. A., Line [D]

\* Amounts represented normalized volumes. See Attachment NT 2 Workpapers for normalization calculations.

**SECTION X - ALTERNATE METHOD OF RATE DESIGN - WATER \***

After you have performed the calculations in **SECTION IX**, you may find that the cost per 1,000 gallons is not what you think your customers will approve. If that is the case, then the following will allow you to calculate a rate structure that still recovers your revenue requirement, but with rates that you think may be more appropriate for your customers.

**Table X. A.**

	Line		
Cost per 1,000 gallons	[A]	\$0.0000	This is the rate that you think is appropriate. Enter in <b>Table X. B., Column ③, Lines [B] through</b>
Total # of 1,000 Gallons billed *	[B]	0	<b>See Adj17 Workpapers</b>
Total Cost to be recovered through gallonage charge	[C]	\$0	Multiply Line [A] times Line [B]
Total Revenue Requirement	[D]	\$0	From <b>Table VI. A., Line [T] Box ⑥</b>
Total to be recovered through base rate	[E]	\$0	Subtract Line [C] from Line [D]
Total number of meter equivalents	[F]	0	From <b>Table VII, Line [L], Box ⑥</b>
Base rate per meter equivalent	[G]	\$0.00	Divide Line [E] by Line [F] & then divide by 12months Enter this in <b>Table X. B., Line [A] Column ③</b>

**Table X. B.**

	Line			Variable cost per 1,000 gals	Variable cost added to base	Total base bill per meter size
		①	②	③	④=②*③	⑤=①+④
Base charge per meter equivalent or for each unmetered connection From <b>Table X. A, Line [G]</b>	[A]	\$0.00				
Base rate per meter size						
$\frac{5}{8}$ " x $\frac{3}{4}$ "	Multiply [C] by 1	[B]	\$0.00	\$0.0000	\$0.00 <sup>⑥</sup>	\$0.00
1"	Multiply [C] by 2.5	[C]	\$0.00	\$0.0000	\$0.00	\$0.00
1½"	Multiply [C] by 5.0	[D]	\$0.00	\$0.0000	\$0.00	\$0.00
2"	Multiply [C] by 8.0	[E]	\$0.00	\$0.0000	\$0.00	\$0.00
3"	Multiply [C] by 16.0	[F]	\$0.00	\$0.0000	\$0.00	\$0.00
4"	Multiply [C] by 25.0	[G]	\$0.00	\$0.0000	\$0.00	\$0.00
6"	Multiply [C] by 50.0	[H]	\$0.00	\$0.0000	\$0.00	\$0.00
8"	Multiply [C] by 80.0	[I]	\$0.00	\$0.0000	\$0.00	\$0.00
10"	Multiply [C] by 115.0	[J]	\$0.00	\$0.0000	\$0.00	\$0.00
12"	Multiply [C] by 250.0	[K]	\$0.00	\$0.0000	\$0.00	\$0.00

⑥ From **Table X. A., Line [A]**

**\* SEE NEXT PAGE FOR PROPOSED ALTERNATIVE RATE DESIGN**

**SECTION X - ALTERNATE METHOD OF RATE DESIGN - WATER**

**Cost of Service Table IV.A** \$15,543,990

<u>Volumes</u>	<u>Rate</u>	
<b>First Block Under 20k *</b>		
1,191,231	\$4.05	\$4,824,487
<b>2nd Block Over 20k *</b>		
189,775	\$5.80	\$1,100,697
Amount to Recover From Base		\$9,618,806
Total Meter Equivalent		16,678
Base Charge 5/8"		<b>\$48.06</b>
Volumetric < 20k		<b>\$4.05</b>
Volumetric > 20k		<b>\$5.80</b>
Pass-Through (See Next Page)		<b>\$0.2384</b>

**Proposed Meter Base Charges**

5/8 x 3/4"	1	<b>\$48.06</b>
1"	2.5	<b>\$120.15</b>
1½"	5	<b>\$240.30</b>
2"	8	<b>\$384.48</b>
3"	16	<b>\$768.96</b>
4"	25	<b>\$1,201.50</b>
6"	50	<b>\$2,403.00</b>
8"	80	<b>\$3,844.80</b>
10"	115	<b>\$5,526.90</b>
12"	250	<b>\$12,015.00</b>

\* Amounts represents normalized volumes. See Attachment NT 2 Workpapers for normalization calculations.

**SECTION X - ALTERNATE METHOD OF RATE DESIGN - Pass Throughs**

**Regional Pass-Through Gallonage Charge Calculation**

1	As adjusted Test Year Purchase Water	\$188,326	
2	As adjusted Test Year Pumping Fee	\$140,857	
3	<b>Total Pass Through Costs</b>	<u>\$329,183</u>	
4	Normalized Test Year Volumes Sold	<u>1,381,007</u>	
5	<b>Pass Through Rate (Line 3/Line 4)</b>		<u><u>\$0.2384</u></u>

SOUTHWEST REGION

**SECTION I.B - MISCELLANEOUS INFORMATION**

A. How often and on what dates are water meters typically read? Cycle reading throughout month

B. When are bills typically sent out? After cycle reads throughout month

C. Do you serve customers within the corporate limits of a municipality? If  Yes  No  
 No, Go to D.

If yes, which municipalities? Austin, Boerne, Cedar Park, Kerrville, and Woodcreek

How many customers are within limits of the municipalities?  
Austin 216, Boerne 11, Cedar Park 2, Kerrville 66, Woodcreek 792

Have you filed a request to change rates with the municipality?  Yes  No. If no, please explain:

D. Are you currently collecting the Regulatory Assessment Fee for your customers?  
 Yes  No

If yes, are you current in your payment of the Regulatory Assessment Fee to the Texas Commission on Environmental  
 Yes  No

E. *Water Utilities:* Please indicate the Public Water System Identification numbers for each of your systems:

System Name	TCEQ PWS ID #	County	Status	Rate Increase Applicable?
Blue Medina Water	100030	Bandera	A	Yes
Blue Medina Water – Medina River Ranch	100030	Bandera	A	Yes
Lakewood Water	100047	Bandera	A	Yes
Lakewood Water – Lakewood Park	100047	Bandera	A	Yes
San Julian Creek Estates	100052	Bandera	A	Yes
Elmwood Estates	100053	Bandera	A	Yes
Comanche Cliffs	100065	Bandera	A	Yes
Estates Utility Co Stonegate	150431	Bexar	A	Yes
Stone Mountain at Cavern Springs	270134	Burnet	A	Yes
Rio Ancho Subdivision	270141	Burnet	A	Yes
Canyon Springs Water – Canyon Springs	460022	Comal	A	Yes
Canyon Springs Water – Kings Cove	460022	Comal	A	Yes
Gruene River Development	460185	Comal	A	Yes
Harper Road Estates	860005	Gillespie	A	Yes
Northwest Hills Water Supply	860086	Gillespie	A	Yes
Deerwood Subdivision	860098	Gillespie	A	Yes
West Oak Heights	860100	Gillespie	A	Yes
Chaparral Water System	1050029	Hays	A	Yes
Woodcreek Utility Co 1	1050037	Hays	A	Yes
Woodcreek Utility Co 1 - Wimberley	1050037	Hays	A	Yes
Woodcreek Utility Co 2	1050039	Hays	A	Yes
Leisurewoods Water Co	1050043	Hays	A	Yes
Southwest Territory	1050058	Hays	A	Yes
Cardinal Valley Water	1050068	Hays	A	Yes
Meadow Woods Water Supply	105077	Hays	A	Yes
Meadow Woods Water Supply – Arroyo Ranch	105077	Hays	A	Yes
Meadow Woods Water Supply – Dove Hollow Estates	105077	Hays	A	Yes
Meadow Woods Water Supply – Quail Meadows Subdivision	105077	Hays	A	Yes
Granite Creek WSC	1050080	Hays	A	Yes
Granite Creek WSC – Blanco River Crossing	1050080	Hays	A	Yes

SECTION I.B - MISCELLANEOUS INFORMATION

E

System Name	TCEQ	County	Status	Rate Increase Applicable?
	PWS ID #			
Copper Hills Water System	1050082	Hays	A	Yes
Oak Meadows	1050100	Hays	A	Yes
Mountain Crest Water Company	1050111	Hays	A	Yes
Sierra West Subdivision	1050134	Hays	A	Yes
Stonegate Water System	1300032	Kendall	A	Yes
Walnut Hills	1300034	Kendall	A	Yes
Ten West Ranches	1300036	Kendall	A	Yes
Kendall Pointe	1300041	Kendall	A	Yes
Guadalupe Heights Utility Co	1330009	Kerr	A	Yes
Center Point Taylor System	1330010	Kerr	A	Yes
Westcreek Estates Water System	1330028	Kerr	A	Yes
Erlund Subdivision	1330036	Kerr	A	Yes
Erlund Subdivision - Belaire Estates	1330036	Kerr	A	Yes
Erlund Subdivision - Clear Spring Ranch Estates	1330036	Kerr	A	No
Erlund Subdivision - Clear View Estates	1330036	Kerr	A	No
Erlund Subdivision - Kerrville South Ranches No. 1	1330036	Kerr	A	Yes
Erlund Subdivision - Loudair Hill Subdivision	1330036	Kerr	A	Yes
Erlund Subdivision - Mountain Top Ranchettes	1330036	Kerr	A	Yes
Erlund Subdivision - Terre Verde Estates	1330036	Kerr	A	Yes
Erlund Subdivision - Tierra Grande	1330036	Kerr	A	Yes
Loma Vista Water System	1330041	Kerr	A	Yes
Loma Vista Water System - Shady Grove	1330041	Kerr	A	Yes
Loma Vista Water System - Spanish Oaks Estates	1330041	Kerr	A	Yes
Loma Vista Water System - Wood Hill Estates	1330041	Kerr	A	Yes
Loma Vista Water System - Wood Ridge Estates	1330041	Kerr	A	Yes
Aqua Vista Utilities	1330062	Kerr	A	Yes
Oak Forest South Water Supply	1330091	Kerr	A	Yes
Oak Forest South Water Supply - Burney Oaks	1330091	Kerr	A	Yes
Oak Forest South Water Supply - Fawn Run	1330091	Kerr	A	Yes
Oak Forest South Water Supply - Quail Run Estates	1330091	Kerr	A	Yes
Nickerson Farm Water System	1330097	Kerr	A	Yes
Sleepy Hollow	1330101	Kerr	A	Yes
Pecan Valley	1330107	Kerr	A	Yes
Center Point North Water System	1330111	Kerr	A	Yes
Four Seasons	1330113	Kerr	A	Yes
Four Seasons - Castle Estates	1330113	Kerr	A	Yes
Four Seasons - Dewberry Hollow	1330113	Kerr	A	Yes
Four Seasons - Estates of Turtle Creek	1330113	Kerr	A	Yes
Four Seasons - Lamb Creek	1330113	Kerr	A	Yes
Four Seasons - Wood Creek	1330113	Kerr	A	Yes
Four Seasons - Woodland Trail Estates	1330113	Kerr	A	Yes
Horseshoe Oaks Subdivision Water System	1330118	Kerr	A	Yes
Northwest Hills Subdivision	1330124	Kerr	A	Yes
Bear Paw Water System	1330126	Kerr	A	Yes
Bear Paw Water System - Highlands Ranch	1330126	Kerr	A	Yes
Park Place Subdivision	1330127	Kerr	A	Yes
Park Place Subdivision - Park Palace	1330127	Kerr	A	Yes
Real Oaks Subdivision	1330139	Kerr	A	Yes
Cherry Ridge Water	1330147	Kerr	A	Yes
Falling Water Subdivision	1330154	Kerr	A	Yes
Falling Water Subdivision - Reserve at Falling Water	1330154	Kerr	A	Yes
Saddlewood Subdivision	1330155	Kerr	A	Yes
Cypress Springs	1330156	Kerr	A	Yes



SECTION I.B - MISCELLANEOUS INFORMATION

E	System Name	TCEQ	County	Status	Rate Increase Applicable?
		PWS ID #			
	Lake Vista Utility Co	1490017	Live Oak	A	Yes
	Pecan Utilities Water Company	1500043	Llano	A	Yes
	Pecan Utilities Water Company – Oakridge Subdivision	1500043	Llano	A	Yes
	Country View Estates	1630026	Medina	A	Yes
	Country View Estates – Big Valley	1630026	Medina	A	Yes
	Valentine Ranch	1630040	Medina	A	Yes
	Golden Acres Water Co	1780019	Nueces	A	Yes
	Rivercrest Water System	2270041	Travis	A	Yes
	Bear Creek Park	2270043	Travis	A	Yes
	Sandy Creek Ranches Subdivision	2270054	Travis	A	Yes
	Onion Creek Meadows	2270059	Travis	A	Yes
	Mooreland Subdivision	2270114	Travis	A	Yes
	Hill Country Northwest Cherry Hollow	2270173	Travis	A	Yes
	Indian Springs Subdivision	2270210	Travis	A	Yes
	Shady Hollow Estates WSC	2270212	Travis	A	Yes
	Barton Creek Lakeside	2270282	Travis	A	Yes
	Barton Creek Lakeside – Shady Creek et al	2270282	Travis	A	Yes
	Barton Creek Lakeside – Lake Side Subdivision	2270282	Travis	A	Yes
	Barton Creek Lakeside – McDaniels Tract	2270282	Travis	A	Yes
	Barton Creek Lakeside – Red Bluff Estates	2270282	Travis	A	Yes
	Lakecliff on Lake Travis	2270327	Travis	A	Yes
	Lakecliff on Lake Travis – Travis Lakeside	2270327	Travis	A	Yes
	Canyon Ridge Springs	2270342	Travis	A	Yes
	Briarcreek Subdivision	2270354	Travis	A	Yes
	Briarcreek Subdivision – Briarcreek Manor	2270354	Travis	A	Yes
	Brentwood Subdivision	2350005	Victoria	A	Yes
	South San Gabriel Ranches	2460026	Williamson	A	Yes
	San Gabriel River Ranches	2460046	Williamson	A	Yes
	Tal Tex	2460064	Williamson	A	Yes
	Tal Tex – Tonkawa Village	2460064	Williamson	A	Yes
	Tal Tex – Great Oaks Subdivision	2460064	Williamson	A	Yes
	Eagle Creek Ranch	2470022	Wilson	A	Yes
	Eagle Creek Ranch – The Estates at Eagle Creek	2470022	Wilson	A	Yes

For each of the systems, please provide a copy of the most recent public water system annual inspection report letter from the Texas Commission on Environmental Quality and a written explanation detailing how and when you will comply with all noted deficiencies \*

INFORMATION REQUIRED  
FOR A  
WATER RATE/TARIFF CHANGE

**SECTION II: OPERATIONAL INFORMATION - WATER**

**EMPLOYEES**

Employee ID: 101478 Relationship to owner: Employee  
 Short job description: Administrative Assistant

Approximate number of hours per week this person works for the company: 30  
 Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

Employee ID: 101086 Relationship to owner: Employee  
 Short job description: Administrative Assistant

Approximate number of hours per week this person works for the company: 30  
 Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

Employee ID: 100070 Relationship to owner: Employee  
 Short job description: Administrative Assistant

Approximate number of hours per week this person works for the company: 30  
 Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

Employee ID: 100832 Relationship to owner: Employee  
 Short job description: Facility Operator I

Approximate number of hours per week this person works for the company: 30  
 Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

Employee ID: 102303 Relationship to owner: Employee  
 Short job description: Facility Operator I

Approximate number of hours per week this person works for the company: 30  
 Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

Employee ID: 102037 Relationship to owner: Employee  
 Short job description: Facility Operator I

Approximate number of hours per week this person works for the company: 30  
 Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

**SECTION II: OPERATIONAL INFORMATION - WATER**

**EMPLOYEES**

Employee ID: <u>100046</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Facility Operator II</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual	
Employee ID: <u>101176</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Facility Operator II</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual	
Employee ID: <u>80117</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Facility Operator II</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual	
Employee ID: <u>100048</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Facility Operator II</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual	
Employee ID: <u>101930</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Facility Operator II</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual	
Employee ID: <u>80179</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Facility Operator II</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual	

SECTION II: OPERATIONAL INFORMATION - WATER	
EMPLOYEES	
Employee ID: <u>100162</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Facility Operator II</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote	( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual
Employee ID: <u>100077</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Facility Operator II</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote	( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual
Employee ID: <u>101198</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Facility Operator III</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote	( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual
Employee ID: <u>100049</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Facility Operator III</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote	( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual
Employee ID: <u>102287</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Facility Operator III</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote	( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual
Employee ID: <u>100001</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Field Supervisor</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote	( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

SECTION II: OPERATIONAL INFORMATION - WATER	
EMPLOYEES	
Employee ID: <u>100054</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Field Supervisor</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote	( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual
Employee ID: <u>101874</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Field Supervisor</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote	( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual
Employee ID: <u>102243</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Utility Tech I</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote	( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual
Employee ID: <u>101429</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Utility Tech II</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote	( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual
Employee ID: <u>102273</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Utility Tech II</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote	( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual
Employee ID: <u>101814</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Utility Tech II</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote	( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

SECTION II: OPERATIONAL INFORMATION - WATER	
EMPLOYEES	
Employee ID: <u>80089</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Utility Tech II</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual	
Employee ID: <u>100514</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Utility Tech II</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual	
Employee ID: <u>100084</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Utility Tech III</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual	
Employee ID: <u>80309</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Utility Tech/Laborer</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual	
Employee ID: <u>102078</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Utility Technician I</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual	
Employee ID: <u>102136</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Utility Technician I</u>	
Approximate number of hours per week this person works for the company: <u>30</u>	
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual	

**SECTION II: OPERATIONAL INFORMATION - WATER**

**EMPLOYEES**

Employee ID: 80015 Relationship to owner: Employee  
 Short job description: Utility Technician Laborer  
 Approximate number of hours per week this person works for the company: 30  
 Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

Employee ID: 101936 Relationship to owner: Employee  
 Short job description: Area Manager  
 Approximate number of hours per week this person works for the company: 30  
 Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

Employee ID: 101621 Relationship to owner: Employee  
 Short job description: Dispatcher  
 Approximate number of hours per week this person works for the company: 30  
 Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

Employee ID: 101946 Relationship to owner: Employee  
 Short job description: Wastewater Compliance Coordinator  
 Approximate number of hours per week this person works for the company: 8  
 Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

Employee ID: 456 Relationship to owner: Employee  
 Short job description: Regional Environmental Compliance Manager  
 Approximate number of hours per week this person works for the company: 8  
 Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

Employee ID: 101505 Relationship to owner: Employee  
 Short job description: Customer Field Services Manager - TX  
 Approximate number of hours per week this person works for the company: 8  
 Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual



**SECTION II: OPERATIONAL INFORMATION - WATER****EMPLOYEES**

Employee ID: 101950 Relationship to owner: Employee  
Short job description: Accounting Assistant  
Approximate number of hours per week this person works for the company: 8  
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

Employee ID: 102122 Relationship to owner: Employee  
Short job description: Accounting Assistant  
Approximate number of hours per week this person works for the company: 8  
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

Employee ID: 100097 Relationship to owner: Employee  
Short job description: Fixed Asset Accountant  
Approximate number of hours per week this person works for the company: 8  
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

Employee ID: 101602 Relationship to owner: Employee  
Short job description: President and Chief Operating Officer  
Approximate number of hours per week this person works for the company: 8  
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

Employee ID: 101612 Relationship to owner: Employee  
Short job description: Executive Assistant  
Approximate number of hours per week this person works for the company: 8  
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

Employee ID: 101628 Relationship to owner: Employee  
Short job description: Environmental Compliance Coordinator  
Approximate number of hours per week this person works for the company: 8  
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual

SECTION II: OPERATIONAL INFORMATION - WATER	
EMPLOYEES	
Employee ID: <u>50172</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Vice President - Operations &amp; Engineering</u>	
Approximate number of hours per week this person works for the company: <u>8</u>	
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual	
Employee ID: <u>N/A</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Controller</u>	
Approximate number of hours per week this person works for the company: <u>8</u>	
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual	
Employee ID: <u>100228</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Rates &amp; Regulatory Manager</u>	
Approximate number of hours per week this person works for the company: <u>8</u>	
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual	
Employee ID: <u>80093</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Financial Accountant Assistant</u>	
Approximate number of hours per week this person works for the company: <u>8</u>	
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual	
Employee ID: <u>102016</u>	Relationship to owner: <u>Employee</u>
Short job description: <u>Sr. Financial Accountant</u>	
Approximate number of hours per week this person works for the company: <u>8</u>	
Salary: See Endnote ( ) Hourly- (X) Weekly- ( ) Monthly- ( ) Annual	
Employee ID: _____	Relationship to owner: _____
Short job description: _____	
Approximate number of hours per week this person works for the company: _____	
Salary: ( ) Hourly- ( ) Weekly- ( ) Monthly- ( ) Annual	
<b>ENDNOTE: Due to the fact that this filing must be made available to the general public for review, the Company has withheld the names and salaries of its employees due to privacy issues. Employees names and salaries will be made available to the TCEQ Staff upon request.</b>	

**SECTION III. PLANT & EQUIPMENT INFORMATION - WATER**

**A. CUSTOMER CONTRIBUTIONS \***

If any of the items included in your plant and equipment were 100% financed with customer contributions, assessments, surcharges, extension fees, etc., you may not include depreciation or return on those items in your cost of service. However, if those customer contributions did not cover the entire cost of the asset, you may include the amount that the utility paid for. Please list below all items that were funded either all or in part by customer contributions and indicate amount that the customers contributed for each item.

**Table III. A.**

Item [A]	Date of Installation [B]	Total Cost [C]	Amount of Customer Contribution [D]	Difference [E] = [C] - [D]
333 - SERVICES	VARIOUS	\$1,966,845	(\$801,251)	\$2,768,096
334 - METER & INSTALLATIONS	VARIOUS	\$4,625,135	(\$73,200)	\$4,698,335

- Attach additional sheet(s) if necessary -

\* Both customer contributions and related tap and plant costs are booked to the appropriate NARUC plant accounts. Thus, any excess or shortage of installation costs resulting from customer tap fees are included in Rate Base.

See Attachment SW 2 workpapers

**B. ORIGINAL COST & DEPRECIATION SCHEDULE - WATER \*\*\***

Please provide the following inventory of the water utility plant being used to provide water service at the end of the test year. You will be responsible for supporting this information with invoices or other documentation. Round your figures to the nearest dollar. Amounts should be computed as of the end of the "test year."

**Table III. B.**

[A] Item	[B] Date of Installation	[C] Service Life (Yrs)		[D] Original Cost when Installed (\$)	Depreciation			[G] = [D]-[F] Net Book Value (\$)		
		a	b		Years in Service				[E] = [D]/[C] Annual (\$)	[F] Accumulated (\$)
					Yrs	Mos	Days			
Land		n/a								
Wells		50								
Water Treatment Plant										
Well Pumps:										
5 hp or less		5								
greater than 5 hp		10								
Booster Pumps:										
5 hp or less		5								
greater than 5 hp		10								
Chlorinators		10								
Structures:										
Wood		15								
Masonry		30								
Storage Tanks		50								
Pressure Tanks		50								
Distribution System (mains and lines)		50								
Meters and Services (taps not covered by fees)		20								
Office Equipment		10								
Vehicles		5								
Shop Tools		15								
Heavy Equipment		10								
Fencing		20								
Other. (Please list)										
Adjustments for Early Retirements										
<b>Total</b>				<b>\$0</b>			<b>\$0</b>	<b>\$0</b>		

\* TCEQ Suggested Service Life \*\* Other Service Life

① Enter this number in Table VI. A., Line [O], Column ①  
 ③ Enter this number in Table IV. E., Line [A]

② If [F] is greater than [D], enter the total for [D]

\*\*\* AQUA TEXAS REQUESTS TO CHANGE ITS DEPRECIATION SERVICE LIVES AND TO IMPLEMENT GROUP DEPRECIATION BY NARUC ACCOUNT. SEE NEXT PAGE: SECTION III.B ALTERNATIVE - ORIGINAL COST & DEPRECIATION SCHEDULE BY NARUC ACCOUNT.

SECTION III.B ALTERNATIVE - ORIGINAL COST & DEPRECIATION SCHEDULE BY NARUC ACCOUNT

NET BOOK VALUE OF WATER ASSETS IN RATE BASE & DEPRECIATION SCHEDULE 12/31/2010  
AQUA TEXAS-SOUTHWEST WATER

DEPRECIABLE NARUC ACCOUNT GROUP Acct No.	Act Description	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
		SURVIVOR CURVE	NET SALVAGE	ORIGINAL COST AS OF 12/31/2010	BOOK RESERVE	NET BOOK VALUE	FUTURE ACCRUALS	ANNUAL ACCRUAL RATE (2)	ACCRUAL RATE LIFE	COMPOSITE REMAINING LIFE	PROPOSED ANNUAL DEPRECIATION EXPENSE
<b>STRUCTURES AND IMPROVEMENTS</b>											
304 20	SOURCE OF SUPPLY AND PUMPING	45-R3	(5)	\$632,775	\$217,549	\$415,226	\$446,865	2.01%	49.8	35.1	\$12,719
304 30	WATER TREATMENT	55-R3	(5)	\$1,405,471	\$632,417	\$773,054	\$843,327	1.44%	69.4	41.7	\$20,239
304 40	TRANSMISSION AND DISTRIBUTION	40-R2.5	(5)	\$694,199	\$108,050	\$586,149	\$620,859	2.48%	40.3	36.1	\$17,216
304 50	GENERAL	45-R3	0	\$598,483	\$137,455	\$461,029	\$461,029	2.08%	48.1	37.0	\$12,448
305 00	COLLECTING AND IMPOUNDING RESERVOIRS	60-R2.5	0	\$5,458	\$783	\$4,675	\$4,675	1.63%	61.3	52.5	\$89
306 00	LAKE, RIVER AND OTHER INTAKES	60-S1.5	0	\$0	\$0	\$0	\$0	1.58%	63.3	0.0	\$0
307 00	WELLS AND SPRINGS	50-R3	(5)	\$8,324,135	\$2,706,109	\$5,618,026	\$6,034,233	2.50%	40.0	29.0	\$208,103
309 00	SUPPLY MAINS	60-S2.5	(10)	\$1,104,780	\$152,075	\$952,705	\$1,063,183	1.70%	58.8	56.6	\$18,781
310 20	POWER GENERATION EQUIPMENT	30-S2.5	0	\$74,556	\$8,961	\$65,594	\$65,594	3.28%	30.5	26.8	\$2,445
<b>PUMPING EQUIPMENT</b>											
311 20	SOURCE OF SUPPLY AND PUMPING	36-R0.5	(5)	\$2,838,577	\$1,427,923	\$1,410,654	\$1,552,583	1.82%	54.9	30.1	\$51,662
311 30	WATER TREATMENT	35-R2.5	(5)	\$42,737	\$12,038	\$30,699	\$32,836	2.63%	38.0	29.2	\$1,124
311 40	TRANSMISSION AND DISTRIBUTION	35-R2	(5)	\$2,584,863	\$764,646	\$1,820,217	\$1,949,460	1.95%	51.3	38.7	\$50,405
	TOTAL PUMPING EQUIPMENT			\$5,466,177	\$2,204,608	\$3,261,570	\$3,534,878				
320 00	WATER TREATMENT EQUIPMENT	45-R2.5	(10)	\$1,286,133	\$345,606	\$920,527	\$1,047,140	2.01%	49.8	41.1	\$25,449
330 00	DISTRIBUTION RESERVOIRS AND STANDPIPES	50-S1	(10)	\$7,823,036	\$1,896,409	\$5,926,628	\$6,708,932	2.11%	47.4	40.6	\$165,066
331 00	TRANSMISSION AND DISTRIBUTION MAINS	75-R4	(15)	\$25,336,698	\$9,261,992	\$16,074,706	\$19,875,211	1.40%	71.4	56.0	\$354,714
333 00	SERVICES	27-S1.5	(25)	\$1,966,845	(\$103,722)	\$2,070,567	\$2,562,278	5.88%	17.0	22.2	\$115,650
334 00	METERS AND METER INSTALLATIONS	30-S1	0	\$4,625,135	\$2,005,566	\$2,619,569	\$2,619,569	2.17%	46.1	26.1	\$100,365
335 00	FIRE HYDRANTS	70-R3	(10)	\$709,067	\$252,392	\$456,675	\$527,582	1.35%	74.1	55.1	\$9,572
<b>OTHER PLANT AND MISCELLANEOUS EQUIPMENT</b>											
339 10	INTANGIBLE	20-R4	0	\$0	\$0	\$0	\$0	0.00%	0.0	0.0	\$0
339 20	SOURCE OF SUPPLY AND PUMPING	30-R3	0	\$138,467	\$44,612	\$93,855	\$93,855	1.83%	54.6	37.0	\$2,534
339 30	WATER TREATMENT	30-S2.5	0	\$16,799	\$1,369	\$15,431	\$15,431	1.45%	69.0	63.3	\$244
339 40	TRANSMISSION AND DISTRIBUTION	35-R3	0	\$27,764	(\$31,277)	\$59,041	\$59,041	1.45%	69.0	146.7	\$403
	TOTAL OTHER PLANT AND MISCELLANEOUS EQUIPMENT			\$183,030	\$14,704	\$168,327	\$168,327				
340 00	OFFICE FURNITURE AND EQUIPMENT	20-SQ	0	\$9,817	\$1,730	\$8,086	\$8,086	10.00%	10.0	8.2	\$982
341 00	TRANSPORTATION EQUIPMENT	10-S0	5	\$559,443	(\$7,042)	\$566,484	\$538,512	15.45%	6.5	6.2	\$86,434
343 00	TOOLS, SHOP AND GARAGE EQUIPMENT	20-SQ	0	\$16,064	\$3,474	\$12,590	\$12,590	7.03%	14.2	11.1	\$1,129
344 00	LABORATORY EQUIPMENT	15-SQ	0	\$0	\$0	\$0	\$0	8.51%	11.8	0.0	\$0
345 00	POWER OPERATED EQUIPMENT	20-L3	0	\$91,444	\$13,866	\$77,578	\$77,578	5.97%	16.8	14.2	\$5,459
346 00	COMMUNICATION EQUIPMENT	15-SQ	0	\$41,956	(\$10,795)	\$52,751	\$52,751	8.94%	11.2	14.1	\$3,751
347 00	MISCELLANEOUS EQUIPMENT	15-SQ	0	\$36,156	\$631	\$35,525	\$35,525	8.01%	12.5	12.3	\$2,896
348 00	OTHER TANGIBLE PLANT	20-SQ	0	\$945,185	\$374,181	\$571,005	\$571,005	7.95%	12.6	7.6	\$75,142
	TOTAL DEPRECIABLE PLANT PER BOOKS			\$61,916,045	\$20,216,999	\$41,699,046	\$47,879,730				

SECTION 179 ALTERNATIVE - ORIGINAL COST & DEPRECIATION SCHEDULE BY NARUC ACCOUNT

NET BOOK VALUE OF WATER ASSETS IN RATE BASE & DEPRECIATION SCHEDULE 12/31/2010  
AQUA TEXAS-SOUTHWEST WATER

DEPRECIABLE NARUC ACCOUNT GROUP Acct No.	Acct Description	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
		SURVIVOR CURVE	NET SALVAGE	ORIGINAL COST AS OF 12/31/2010	BOOK RESERVE	NET BOOK VALUE	FUTURE ACCRUALS	ANNUAL ACCRUAL RATE (2)	ACCRUAL RATE LIFE	COMPOSITE REMAINING LIFE	PROPOSED ANNUAL DEPRECIATION EXPENSE
<b>NONDEPRECIABLE PLANT</b>											
301.00	ORGANIZATION		0	\$126,809	\$5,405	\$121,404	\$121,404	5.00%	20.0	19.1	\$6,340
302.00	FRANCHISES		0	\$407,377	\$55,956	\$351,421	\$351,421	10.02%	10.0	8.6	\$40,819
303.20	LAND AND LAND RIGHTS - SOURCE OF SUPPLY AND PUMPING		0	\$1,896,588	\$38,709	\$1,857,878	\$1,857,878	0.00%	0.0	0.0	\$0
303.30	LAND AND LAND RIGHTS - WATER TREATMENT		0	\$39,324	\$0	\$39,324	\$39,324	0.00%	0.00	0.0	\$0
303.40	LAND AND LAND RIGHTS - TRANSMISSION AND DISTRIBUTION		0	\$168,816	\$4,143	\$164,673	\$164,673	0.00%	0.00	0.0	\$0
303.50	LAND AND LAND RIGHTS - GENERAL		0	\$639,763	\$0	\$639,763	\$639,763	0.00%	0.00	0.0	\$0
	<b>TOTAL NONDEPRECIABLE PLANT PER BOOKS</b>			<b>\$3,278,677</b>	<b>\$104,214</b>	<b>\$3,174,464</b>	<b>\$3,174,464</b>				
	<b>ADD SW WATER SHARE OF TEXAS CORPORATE OFFICE PLANT (1)</b>			<b>\$1,553,275</b>	<b>\$145,173</b>	<b>\$1,408,102</b>	<b>\$1,408,102</b>				<b>\$152,686</b>
	<b>ADD PHFU TO BE MOVED TO WATER PLANT</b>										
307.00	WELLS AND SPRINGS	50-R3	(5)	\$34,232	\$2,066	\$32,166	\$33,878	2.50%	40.0	39.6	\$856
320.00	WATER TREATMENT EQUIPMENT	45-R2.5	(10)	\$69,230	\$5,395	\$63,834	\$70,757	2.01%	49.8	50.8	\$1,392
	<b>TOTAL PHFU</b>			<b>\$103,461</b>	<b>\$7,461</b>	<b>\$96,000</b>	<b>\$104,635</b>				
	<b>REMOVE CUSTOMER CONTRIBUTIONS</b>										
333.00	SERVICES	27-51.5	(25)	(800,281)	(800,234)	(\$74,107)	(\$941,330)	5.88%	17.0	20.0	(\$47,114)
334.00	METERS AND METER INSTALLATIONS	30-51	0	(\$73,200)	(\$20,969)	(\$52,231)	(\$52,231)	2.17%	46.1	32.9	(\$1,588)
	<b>CALCIAC</b>			<b>(\$874,451)</b>	<b>(\$81,203)</b>	<b>(\$793,248)</b>	<b>(\$993,561)</b>				
	<b>AMOUNT INCLUDED IN RATE BASE AND COST OF SERVICE</b>					<b>\$45,584,364</b>					<b>\$1,498,414</b>

(1) ADD SW WATER SHARE OF TEXAS CORPORATE OFFICE PLANT (1)

Texas Corporate - 304.50	0	\$131,386	\$17,908	\$113,478	\$113,478			2.08%	48.1	41.5	\$2,733
Texas Corporate - 340.00	0	\$5,987,310	\$553,961	\$5,433,349	\$5,433,349			10.00%	10.0	9.1	\$598,731
Total		\$6,118,696	\$571,869	\$5,546,826	\$5,546,826						\$601,464
Allocate Based On Customers		25.39%	25.39%	25.39%	25.39%						25.39%
SW Share of Texas Corp Plant		\$1,553,275	\$145,173	\$1,408,102	\$1,408,102						\$152,686

(2) RATES BASED ON RECENT COMPANY WIDE DEPRECIATION STUDY - See ATTACHMENT NT/SW 5

**C. DEVELOPER CONTRIBUTIONS - WATER**

If any of the Items listed in the Depreciation Schedule were contributed by a developer, please list those items and the associated cost below.

**Table III. C.**

Item	Date of installation or Contribution	Total Cost	Amount of Developer Contribution	Net Book Value
303-LAND RIGHTS	Various	\$2,701,639	(\$115,583)	\$2,586,056
304-STRUCTURES AND IMPROVEMENTS	Various	\$1,095,471	(\$32,040)	\$1,063,431
309-SUPPLY MAINS	Various	\$952,705	(\$15,375)	\$937,330
311-PUMPING EQUIPMENT	Various	\$3,261,570	(\$134,525)	\$3,127,044
330-RESERVOIRS AND STANDPIPES	Various	\$5,926,628	(\$134,525)	\$5,792,103
331-TRANS AND DIST MAINS	Various	\$16,074,706	(\$1,705,574)	\$14,369,132
335-FIRE HYDRANTS	Various	\$456,675	(\$16,184)	\$440,491
348-OTHER TANGIBLE PLANT	Various	\$571,005	\$8,151	\$579,156
Total		\$31,040,398	(\$2,145,654)	\$28,894,744

Insert this amount in **Table IV. E., Line [E]**

**SECTION IV - LONG TERM DEBT & EQUITY INFORMATION - WATER**

**A. EQUITY**

How much equity or total capital does the company have in the utility? \$88,097,993  
Enter also in **Table IV. D., Box** below

**B. RATE OF RETURN**

Return on Equity 12.00% \*  
Return on Investment 8.59%

NOTE: You may choose  
an average equity return established by the staff each year and included with the Annual Report Instructions OR  
an interest rate that you think is fair that is less than the rate established by the staff OR  
to use the Rate of Return Worksheet which is attached to the Instructions.

**C. BANKRUPTCY**

Has the utility or utility owner filed bankruptcy within the last seven years?  
                     Yes                     **X**                     No

If YES, explain status of applicant at this time.  
                    N/A                    

\* Refer to Attachment NT/SW 4 for the supporting analysis for the ROE request.



**D. NOTES PAYABLE - WATER**

List the following information concerning debt and equity of the utility and attach copies of notes payable:

Round all percentages to two (2) decimal places.

**TABLE IV.D.\***

[A] Name of Bank/Lender	[B] Date of Issue	[C] Date of Maturity	[D] Original Amount of Loan	[E] Outstanding or Unpaid Balance End of Test Year	[F] Interest Rate	[G] Weighted Average [E]÷③*[F]
<b>PART 1 - Debt</b>						
Note - Unsecured	7/13/2003	Various	\$50,232,277	\$50,232,277	4.87%	1.41%
Note-TIAA/CREF	2/3/2005	2/3/2015	\$6,697,637	\$3,284,981	5.01%	0.09%
Note-Northwestern Mutual	12/28/2006	Various	\$11,382,951	\$11,382,951	5.54%	0.36%
Note-Northwestern Mutual	2/28/2007	2/28/2022	\$5,581,364	\$5,581,364	5.63%	0.18%
Note-Northwestern Mutual	2/28/2007	2/28/2037	\$5,581,364	\$5,581,364	5.83%	0.19%
North Channel Water Authority	Various	Various	\$10,420,285	\$9,610,609	5.10%	0.28%
<b>Total</b>			<b>\$89,895,878 ①</b>	<b>\$85,673,546 ②</b>		<b>2.51% ⑥</b>
<b>Part 2 - Investment/Equity]</b>						
				<b>\$88,097,993 ③</b>	<b>12.00% ④</b>	<b>6.08% ⑦</b>
<b>Total Debt &amp; Equity</b>				<b>\$173,771,539 ⑤</b>		
					<b>Rate of Return:</b>	<b>8.59% ⑧</b>

- ① Total amount of original loans
- ② Total amount of the outstanding balance on the loans
- ③ Equity in the utility - From **Section IV. A.**
- ④ Return on Equity - From **Section IV. B.**
- ⑤ Total of ② + ③
- ⑥ Total weighted average of debt - To **Table V, Line [C]**
- ⑦ Weighted average of Investment/Equity ③+ ⑤\*④
- ⑧ Sum of ⑥ + ⑦ - To **Table IV. E., Line [G]**

\* Refer Attachment SW 2 workpapers for additional detail on the notes listed above.

**E. INVESTED CAPITAL & RETURN - WATER**

**Table IV. E.**

Net Book Value - From <b>Table III. B. ALTERNATIVE</b>	[A]	\$45,584,364
K&M CCNC (Completed Construction Not Classified) <b>(1)(3)</b>	[B]	\$951,106
Materials & Supplies Inventories <b>(2)</b>	[C]	\$139,433
Prepayments <b>(2)</b>	[D]	\$303,014
Working Cash Allowance - Table VI.A, Line [L], Column 3 / (+ 8)	[E]	\$674,151
Subtotal - Sum of [A] thru [C]	[G]	\$47,652,069
Developer Contributions - From <b>Table III. C.</b>	[H]	(\$2,145,654)
Total invested capital [D] - [E]	[I]	\$45,506,415
Rate of return - From <b>Table IV. D., Box h</b>	[J]	8.59%
<b>Return/Interest</b> - If [F] is greater than -0-, then enter [F] * [G]. If [F] is less than -0-, enter -0-. Enter this amount in <b>Table V., Line [A] and Table VI. A., Line [Q]</b>	[K]	\$3,909,001

- (1) K&M (Known & Measurable) CCNC represents plant that will be in service within a year after the filing of this rate application, but not yet classified in the Company's accounting records according to NARUC Account 106 guidelines. See Attachment SW 2 WP-CCNC a detailed breakdown. This amount does not represent CWIP.
- (2) See Attachment SW 2 WP-Other WC (Working Capital)
- (3) Aqua Texas hereby requests a Southwest Region water rate base determination by TCEQ as part of this application.

**SECTION V - INCOME TAX CALCULATION - WATER**

Use the following table to determine the amount of income tax that can be included in your revenue requirement.

**Table V.**

Return - From Table IV. E., Line [H]	[A]	\$3,909,001
<b>Interest Calculation</b>		
Total Invested Capital - From Table IV. E., Line [F]	[B]	\$45,506,415
Weighted Cost of Debt Capital - Percentage From Table IV. D., Box f	[C]	2.51%
Interest Expense [B]*[C]	[D]	\$1,142,211
Taxable Income [A] - [D]	[E]	\$2,766,790
Enter Income Tax from Tax Table *	[F]	\$1,489,810

\* To Table VI. A., Line [P], Column c

\* Reflects the statutory tax rate of 35% for Aqua Texas in accordance with TWC § 13.185 (f).  
(computed below).

**Gross Up Factor Calculation:**

1 Total	1.0000
2 Federal Income Tax	0.3500
3 Net -Line 1- Line 2	0.6500
4 Gross Up Factor 1 / Line 3	<u>1.5385</u>

**SECTION VI - UTILITY INCOME & EXPENSE INFORMATION - WATER**

**A. REVENUE REQUIREMENT**

Please provide the following information regarding the cost to the utility of providing water utility service over your selected twelve month "test year "

Note 1 - Instead of using the percentages listed, you may take the Total Cost and multiply it by 67% to determine the fixed portion and 33% for the variable portion.

**TABLE VI. A.**

Test Year 12/31/2010 Item	Line	12 Month "test year" per books	Known and Measurable Changes	Revenue Requirement for next yr	% of c that is fixed ( Note 1)		Fixed Expenses (Note 1)	Variable Expenses (Note 1)
					Rec.	Act.		
		a	b	c			d	e
Salaries and Wages	[A]	\$942,844	\$62,980	\$1,005,824	50	50	\$502,912	\$502,912
Contract Labor	[B]	\$0	\$0	\$0	90	10	\$0	\$0
Purchased water	[C]	\$949,277	(\$949,277)	\$0	0	100	\$0	\$0
Chemicals and treatment	[D]	\$114,951	\$45,220	\$160,171	0	100	\$0	\$160,171
Utilities (electricity)	[E]	\$633,957	\$243,230	\$877,187	0	100	\$0	\$877,187
Repairs/maintenance/supplies	[F]	\$1,239,558	\$68,620	\$1,308,178	50	50	\$654,089	\$654,089
Office Expenses	[G]	\$717,432	\$41,269	\$758,701	50	50	\$379,350	\$379,350
Accounting & Legal fees	[H]	\$88,474	\$0	\$88,474	100	0	\$88,474	\$0
Insurance	[I]	\$352,356	(\$13,055)	\$389,301	100	0	\$339,301	\$0
Rate case expense	[J]	\$188,607	(\$134,607)	\$54,000	100	0	\$54,000	\$0
Miscellaneous	[K]	\$893,483	(\$92,107)	\$801,376	50	50	\$400,688	\$400,688
<b>Subtotal - Sum of Line [A] thru Line [K]</b>	[L]	\$5,227,456	(\$727,728)	\$5,393,211	45	55	\$2,418,814	\$2,974,397
Payroll Taxes	[M]	\$96,020	(\$8,956)	\$87,063	50	50	\$43,532	\$43,532
Property and other taxes	[N]	\$557,705	(\$204,717)	\$352,988	100	0	\$352,988	\$0
Annual Depreciation & Amortization - From Table III. B. Box ☐	[O]	\$2,829,601	(\$1,309,029)	\$1,520,572	100	0	\$1,520,572	\$0
Income Taxes - From Table V, Line [F]	[P]		\$1,489,810	\$1,489,810	100	0	\$1,489,810	\$0
Return - From Table IV. E., Line [H]	[Q]		\$3,909,001	\$3,909,001	100	0	\$3,909,001	\$0
<b>Subtotal - Sum of Line [L] thru Line [Q]</b>	[R]	\$8,710,781	\$3,148,381	\$12,752,645	76	24	\$9,734,717	\$3,017,928
Other Revenues	[S]	\$239,066	\$0	\$239,066	100	0	\$239,066	\$0
<b>Total Cost = Line [R] - Line [S]</b>	[T]	\$8,471,715	\$3,148,381	\$12,513,579	76	24	\$9,495,651	\$3,017,928
<b>Alternative Allocation between Fixed and Variable [Note 1]</b>	[U]	\$8,471,715	\$3,148,381	\$12,513,579	67		\$8,384,098	\$4,129,481

Divide [M] by 8 and enter the result in Table IV. E., Line [B] ☉ To Table X A., Line [D]

☈ To Table IX B., Line [A] ☉ To Table IX A., Line [A]

**B. KNOWN & MEASURABLE CHANGES \***

If you listed anything in TABLE VI. A. above as an increase/decrease expected in the next 12 months, please provide a short explanation by item why there will be a change and how you projected the cost. Changes in cost must be known and measurable and supported by invoices or other documentation

<b>Adjustment Description</b>	<b>Amount</b>	<b>Alloc To SWTX</b>	<b>Requested</b>	<b>Explanation</b>		
<b>Adj1 - Direct Payroll</b>						
SW Region O&M	\$62,980	100.00%	\$62,980	See VI.B	Explanation	Page
SW Region 401k	\$6,108	100.00%	\$6,108	"	"	"
<b>Adj2 - Admin Allocable Payroll</b>						
SW Region Admin	(\$1,211)	75.44%	(\$913)	"	"	"
SW Admin 401k	(\$3,993)	75.44%	(\$3,013)	"	"	"
Texas Admin	\$68,683	19.08%	\$13,105	"	"	"
Tx Admin 401k	\$1,397	19.08%	\$267	"	"	"
<b>Adj3 - Benefits</b>						
SW Region O&M	\$106,523	100.00%	\$106,523	"	"	"
SW Region Admin	(\$21,355)	75.44%	(\$16,109)	"	"	"
Texas Admin	(\$87,414)	19.08%	(\$16,679)	"	"	"
<b>Adj3.2 - Capitalize Benefits</b>						
SW Region O&M	(\$116,948)	100.00%	(\$116,948)	"	"	"
SW Region Admin	(23,608)	75.44%	(\$17,809)	"	"	"
Texas Admin	\$47,227	19.08%	\$9,011	"	"	"
<b>Adj4 Payroll Tax</b>						
SW Region O&M	(\$8,956)	100.00%	(\$8,956)	"	"	"
SW Region Admin	\$6,821	75.44%	\$5,146	"	"	"
Texas Admin	\$58,759	19.08%	\$11,211	"	"	"
<b>Adj5 - Chemicals</b>						
SW Region O&M	\$45,220	100.00%	\$45,220	"	"	"
<b>Adj6 - Purchase Water</b>						
SW Region O&M	\$31,018	100.00%	\$31,018	"	"	"
Move to Pass-thru Charge	(\$980,296)	100.00%	(\$980,296)	"	"	"
<b>Adj7 - Purchase Power</b>						
SW Region O&M	\$243,230	100.00%	\$243,230	"	"	"
<b>Adj8 - Pumping Fees</b>						
SW Region O&M	\$7,965	100.00%	\$7,965	"	"	"
Move to Surcharge	(\$247,060)	100.00%	(\$247,060)	"	"	"
<b>Adj9 - Transportation</b>						
SW Region O&M	\$68,620	100.00%	\$68,620	"	"	"
SW Region Admin	\$4,657	75.44%	\$3,513	"	"	"
Texas Admin	\$7,634	19.08%	\$1,456	"	"	"
<b>Adj10 - ACO Customer Billing &amp; Service</b>						
SW Region O&M	(\$5,174)	100.00%	(\$5,174)	"	"	"
<b>Adj11 - Revenue Increase Related Expenses</b>						
SW Region O&M	\$71,791	100.00%	\$71,791	"	"	"
<b>Adj12 - Insurance</b>						
SW Region O&M	(\$2,631)	100.00%	(\$2,631)	"	"	"
SW Region Admin	\$160	75.44%	\$120	"	"	"
Texas Admin	\$3,120	19.08%	\$595	"	"	"
<b>Adj13 - Misc Other</b>						
SW Region O&M	(\$1,131,640)	100.00%	(\$1,131,640)	"	"	"
SW Region Admin	(\$1,200)	75.44%	(\$905)	"	"	"
Texas Admin	\$45,829	19.08%	\$8,744	"	"	"
<b>Adj14 - Rate Case Expense</b>						
SW Region O&M	(\$134,607)	100.00%	(\$134,607)	"	"	"

**B. KNOWN & MEASURABLE CHANGES \***

If you listed anything in TABLE VI. A. above as an increase/decrease expected in the next 12 months, please provide a short explanation by item why there will be a change and how you projected the cost. Changes in cost must be known and measurable and supported by invoices or other documentation.

<u>Adjustment Description</u>	<u>Amount</u>	<u>Alloc To SWTX</u>	<u>Requested</u>	<u>Explanation</u>
<b>B. KNOWN &amp; MEASURABLE CHANGES * (continued)</b>				
<i>Adj15 - Plant Related Expenses</i>				
SW Region O&M	(\$238,698)	100.00%	(\$238,698)	See VI.B Explanation Page
<i>Adj16 - Revenue Norm Related Expenses</i>				
SW Region O&M	\$6,383	100.00%	\$6,383	" " "
<i>Reconciling Amounts Due To Allocation Factor Change</i>				
SW Region Admin			\$813	" " "
Aqua Texas Admin			(\$32,812)	" " "
<b>Total Test Year K&amp;M Adjustments</b>			<b><u>(\$2,250,430)</u></b>	

\* Refer to Attachment SW 2 Workpapers for detail on K&M Adjustments.

## **K&M ADJUSTMENT EXPLANATIONS**

*See Attachment SW 2 workpapers (WP) for detailed computations.*

**ADJ1 Payroll** - This adjustment normalizes the test year payroll expenses for the SW Region. It includes a 4% increase and 4 new positions. Overtime rates were normalized down to reflect the impact of the 4 new positions. The normalized payroll expense for SW Admin and Texas Admin is allocated to the SW Region Water using customer counts. This adjustment normalizes the 401k contributions as well. (see Attachment SW 2 WPs)

**ADJ2 Admin Payroll** - This adjustment normalizes the allocable test year payroll expenses for the SW Region Admin and the Aqua Texas Corp office. It includes a 4% increase, normalized overtime rates and expense ratios. This adjustment normalizes 401k contribution costs as well. See Attachment SW 2 WPs

**ADJ3 Payroll Taxes** - This adjustment normalizes the related payroll taxes resulting from the K&M payroll adjustments proposed in ADJs 1 & 2 above. See Attachment SW 2 WPs

**ADJ4 Purchase Water** - This adjustment reflects noticed increases as well as anticipated increases from purchase water suppliers. Additionally, the adjustment includes customer growth and volumetric normalization. After the normalizing adjustments it is removed from the revenue requirement to the pass-through rate appearing in Section X.C.

**ADJ5 Chemicals** - This adjustment reflects noticed increases as well as anticipated increases from chemical suppliers. Additionally, the adjustment reflects customer growth and volumetric normalization.

**ADJ6 Purchase Power** - This adjustment reflects the average of actual increases in Commercial/Industrial ERCOT Electric Rates from 1998 through 2008 per the Energy Information Administration form EIA-861 "Annual Electric Power Industry Report". This report provides the basis for the K&M adjustment regarding electric rate increases. Additionally, the adjustment reflects customer growth and volumetric normalization.

**ADJ7 Transportation Costs** - This adjustment normalizes the higher fuel costs experienced at the end of the test year as well as the expected increases in leasing and maintenance of vehicles.

**ADJ8 ACO Customer Billing Costs** - Reflects the SW systems share of the Texas centralized billing and service cost increases beginning in 1/2011.

**ADJ9 Benefits** - This normalizes the test year medical, dental, other benefit expense increases resulting from increases in rates and the new positions proposed in Adj1.

**ADJ10 Capitalized Benefits** - This adjustment reduces test year benefits and payroll tax expenses to reflect the Company's capitalization policy.

**ADJ11 Revenue Related Expenses** - This normalizes revenue related expenses for the test year based on the requested increase in revenue. The expense adjustments are to bad debts and state franchise tax.

**ADJ12 Insurance** - This adjustment normalizes all other non-medical related insurance coverage cost increases as detailed in the workpaper (general liability, auto, etc.).

**ADJ13 Rate Case Expense** - This adjustment reflects rate case costs incurred to prepare and file the rate application before the TCEQ. Amortized over three years.

**ADJ14 Pumping Fees** - This adjustment reflects existing and upcoming pumping fee assessment charges by various governmental entities in the SW service area. It includes adjustments for customer growth and volumetric normalization. After the normalizing adjustments, it is removed from the revenue requirement to the pass-through rate appearing in Section X.C.

**ADJ15 Other Adjustments (misc)** - This workpaper provides a series of adjustments. Each adjustment is explained in the workpaper. The adjustments reflect removal of surchargeable costs, removal of expenses not appropriate for rate making purposes, etc.

**ADJ16 Plant Related Adjustments** - This adjustment normalizes the depreciation and property tax increases related to the K&M CCNC plant adjustments as presented in Sec IV E.

**ADJ17 Related Expense Adjustments due to Billing Determinants Normalization** - This normalizes revenue related expenses for the test year due to the normalization of the billing determinants due to customer growth and usage fluctuations. The expense adjustments are to bad debts and state franchise tax.

**SECTION VII - CUSTOMER INFORMATION - WATER**

**NUMBER OF CUSTOMERS**

How many customers (active connections) did you have at the beginning and at the end of the twelve month test year?

**TABLE VII**

Connection Type	Line	Beginning of Period ①	End of period ②	Equivalency Factor ③	Meter Equivalents ④=②*③
<b>Non-Metered Connections.</b>					
Residential	[A]	n/a	n/a	1	n/a
Commercial	[B]	n/a	n/a	1	n/a
Standby	[C]	n/a	n/a	1	n/a
<b>Metered Connections:</b>					
5/8" x 3/4"	[D]	12,468	13,497	1.0	13,497
1"	[E]	168	174	2.5	435
1 1/2"	[F]	21	24	5.0	120
2"	[G]	23	24	8.0	192
3"	[H]	4	4	16.0	64
4"	[I]	4	4	25.0	100
6"	[J]	1	1	50.0	50
8"	[K]	3	3	80.0	240
10"	[L]	0	0	115.0	
12"	[M]	0	0	250.0	
<b>Total</b>	[N]	<b>12,692</b>	<b>13,731</b>		<b>④ 14,698</b>

© To Table IX. B., Line [B] AND Table X. A., Line [F]

\* All connections represent active retail customers. Refer to Attachment SW 2 Workpapers



**SECTION VIII - PRODUCTION & CONSUMPTION INFORMATION - WATER**

Please provide the following information regarding water utility operations over your selected twelve month "test year".

**Table VIII**

Total number of gallons pumped <b>RAW WATER PURCHASED AND TREATED</b> (total master meter reading for the year)	[A]	1,605,998	1000 gallons
Total number of gallons for flushing, leaked & stolen	[B]	280,300	1000 gallons
Total number of gallons provided to customers <b>[C]=[A]+[B]</b>	[C]	1,886,297	1000 gallons
Total number of gallons billed to your customers (total customer consumption)	[D]	1,172,488	1000 gallons
System losses: $\frac{([C] - [D])}{[C]} \times 100\% = [E]$	[E]	9.54%	N/A
Sources of Purchased water <b>(1)</b>			

- (1) Refer to Attachment SW 2 Workpapers for Volumes purchased**
- (2) These volumes represent volumes pumped and purchase plus the 1000 gals flushed, repaired leaks and 1000 gals stolen. See Attachment SW 2 , WP-Non Rev Water**

a To Table IX. A., Line [B] and Table X. A., Line [B]

SECTION IX - RATE DESIGN - WATER \*

A. VARIABLE RATE CALCULATIONS \*

Table IX. A.

	Line		Instructions
Total Variable Costs	[A]	\$3,017,928	From Table VI. A., Line [T], Box c
Total # of Gallons Billed to Customers *	[B]	12,167,058	From Table VIII, Line [B]
Total # of 1,000 Gallons billed *	[C]	1,216,706	Divide Line [B] by 10
Variable Cost per 1,000 gallons	[D]	\$2.48	Divide Line [A] by Line [C] Transfer to Table IX. B., Lines [E] through [J], Box c

B. BASE RATE CALCULATIONS \*

Table IX. B.

	Line		# of 1000 gallons in base bill	Variable cost per 1,000 gals	Variable cost to be added to base rate	Total base rate per meter size
		①	②	③	④=②*③	⑤=①+④
Total fixed costs - From Table VI. A., Line [T], Box c or Line [U], Box d	[A]	\$9,495,651				
Total meter equivalents at end of test year - From Table VII, Line [L]	[B]	14,698				
Base charge per meter equivalent or for each unmetered connection [A]+[B] and then divide by 12	[C]	\$53.84				
Base charge per meter size						
5/8" x 3/4"	[D]	\$53.84	0	\$2.48	\$0.00	\$53.84
1"	[E]	\$134.60	0	\$2.48	\$0.00	\$134.60
1 1/2"	[F]	\$269.20	0	\$2.48	\$0.00	\$269.20
2"	[G]	\$430.72	0	\$2.48	\$0.00	\$430.72
3"	[H]	\$861.44	0	\$2.48	\$0.00	\$861.44
4"	[I]	\$1,346.00	0	\$2.48	\$0.00	\$1,346.00
6"	[J]	\$2,692.00	0	\$2.48	\$0.00	\$2,692.00
8"	[K]	\$4,307.20	0	\$2.48	\$0.00	\$4,307.20
10"	[L]	\$6,191.60	0	\$2.48	\$0.00	\$6,191.60
12"	[m]	\$13,460.00	0	\$2.48	\$0.00	\$13,460.00

© From Table IX. A., Line [D]

\* Amounts represented normalized volumes. See Attachment SW 2 Workpapers for normalization calculations.