

AQUA TEXAS RATE APPLICATION -NORTH REGION-TY 12/31/2010

WP-Adj7-Trans Exp

Transportation Expense K&M Adjustment

	Test Year	Expense	Adjustment	K&M Expense
	(a)	(b)	(c)	
<u>North Water</u>				
1	WT-Trans-T&D OP-LEASE (1)	\$126,741	\$33,009	\$159,750
2	WT-Trans-T&D MAINT (1)	\$42,973	\$12,815	\$55,788
3	WT-Trans-T&D OP-GASOLINE (2)	\$111,369	\$71,736	\$183,105
4	WT-Trans-T&D OP-DIESEL (2)	\$11,809	\$7,285	\$19,094
<u>North Admin</u>				
5	WT-Trans-T&D OP-GASOLINE (2)	\$98	\$6,199	\$6,297
<u>Texas Admin</u>				
6	WT-Trans-T&D OP-LEASE (1)	\$12,847	\$1,676	\$14,523
7	WT-Trans-T&D MAINT (1)	\$1,228	\$1,061	\$2,289
8	WT-Trans-T&D OP-GASOLINE (2)	\$10,664	\$4,896	\$15,560

(1) Based on known and measurable data as of 6/2011.

(2) Reflects per gallon prices as of 6/2011.

**AQUA TEXAS RATE APPLICATION -NORTH REGION-TY 12/31/2010**  
**WP-Adj8-ACO**

**TEXAS ACO CENTRALIZED BILLING AND SERVICE K&M ADJUSTMENTS**  
**Reflects Changes Beginning 1/1/2011**

1	<b>ACO Allocations</b>				<b>\$698,272</b>
		<u>Allocate on Customer</u>			
2		Water	23.78%	<b>\$166,049</b>	
3	<b>Other ACO Direct Costs (Misc)</b>				<b>\$13,605</b>
		<u>Allocate on Customer</u>			
4		Water	23.78%	<b>\$3,235</b>	
5	<b>Workflow processing</b>				<b>\$85,009</b>
		<u>Allocate on Customer</u>			
6		Water	23.78%	<b>\$20,215</b>	
7	<b>Workflow billing postage</b>				<b>\$249,202</b>
		<u>Allocate on Customer</u>			
8		Water	23.78%	<b>\$59,260</b>	
9	<b>ACO Lockbox fees (Lockbox &amp; Zipcheck)</b>				<b>\$68,796</b>
		<u>Allocate on Customer</u>			
10		Water	23.78%	<b>\$16,360</b>	

AQUA TEXAS RATE APPLICATION -NORTH REGION-TY 12/31/2010  
 WP-Adj9-Benefits

K&M ADJUSTMENT BENEFITS

		Medical	Dental	Contribution	Life, ADD, LTD
<b>NORTH WATER/SEWER O&amp;M</b>					
1	100177	Administrative Assistant			
2	100132	Facility Operator II	\$779	(\$2,161)	\$233
3	100423	Facility Operator I	\$0	(\$1,002)	\$269
4	100425	Field Supervisor	\$779	(\$2,161)	\$246
5	100426	Facility Operator I	\$1,179	(\$4,241)	\$507
6	100800	Field Supervisor	\$0	\$0	\$282
7	100368	Facility Operator II	\$779	(\$2,830)	\$484
8	101953	Facility Operator I	\$1,179	(\$3,239)	\$267
9	100413	Facility Operator II	\$1,179	(\$2,441)	\$207
10	100737	Facility Operator II	\$446	(\$1,091)	\$253
11	101133	Facility Operator I	\$779	(\$2,161)	\$283
12	101437	Facility Operator III	\$1,179	(\$3,239)	\$206
13	100114	Field Supervisor	\$1,179	(\$3,239)	\$317
14	80162	Facility Operator I	\$779	(\$2,830)	\$507
15	102102	Utility Tech I	\$1,179	(\$2,441)	\$232
16	102103	Facility Operator II	\$1,179	(\$3,239)	\$166
			\$446	(\$1,091)	\$252
17	100432	Administrative Assistant	\$446	(\$1,091)	\$179
18	102248	Facility Operator II	\$1,179	(\$3,239)	\$252
19	100370	Utility Tech I	\$779	(\$2,161)	\$177
20	100052	Facility Operator II	\$1,179	(\$3,239)	\$288
21	102167	Facility Operator I	\$0	\$0	\$159
22	100129	Field Supervisor	\$779	(\$2,830)	\$507
23	80265	Temporary Facility Operator	\$1,179	(\$2,441)	\$232
24	80124	Facility Operator I	\$446	(\$1,091)	\$232
25	100371	Utility Tech II	\$1,179	(\$3,239)	\$228
26	101262	Facility Operator III	\$1,179	(\$3,239)	\$322
27	101168	Facility Operator III	\$1,179	(\$2,441)	\$290
28	100640	Facility Operator I	\$446	(\$1,091)	\$246
29	100137	Facility Operator II	\$779	(\$2,161)	\$247
30		<b>Total K&amp;M Cost</b>	\$23,789	(\$65,677)	\$8,067
31		Remove Con Ops Share (2)		\$2,802	(\$344)
32		4 New Positions (1)	\$3,281	(\$9,059)	\$1,113
33		Total K&M	\$22,774	(\$62,875)	\$7,723
34		<b>Water Test Year Regular Pay</b>	\$21,063	(\$58,150)	\$7,143
			\$856,781	92.49%	

AQUA TEXAS RATE APPLICATION -NORTH REGION-TY 12/31/2010  
 WP-Adj9-Benefits

K&M ADJUSTMENT BENEFITS

				Medical	Dental	Contribution	Life, ADD, LTD
35	Sewer Test Year Regular Pay	\$69,615	7.51%	\$29,013	\$1,788	(\$4,935)	\$606
36	Total	\$926,396					
<b>NORTH ADMIN</b>							
37	101963 Electrician	\$47,620		\$446	\$446	(\$1,091)	\$257
38	100369 Dispatcher	\$20,024		\$1,179	\$1,179	(\$3,239)	\$225
39	101454 Administrative Assistant	\$13,371		\$779	\$779	(\$2,161)	\$239
40	100082 Area Manager	\$20,024		\$1,179	\$1,179	(\$4,241)	\$1,005
41	Total K&M Annual Cost	\$101,039		\$3,583	\$3,583	(\$10,733)	\$1,726
<b>AQUA TEXAS ADMIN</b>							
42	101946 Wastewater Compliance Coordinator	\$13,371		\$779	\$779	(\$2,830)	\$557
43	456 Regional EnvironCompliance Manager-Texas	\$0		\$0	\$0	\$0	\$754
44	101505 Customer Field Services Manager - TX	\$6,682		\$446	\$446	(\$1,426)	\$524
45	101950 Accounting Assistant	\$0		\$0	\$0	\$0	\$194
46	102122 Accounting Assistant	\$6,682		\$446	\$446	(\$1,091)	\$202
47	100097 Fixed Asset Accountant	\$13,371		\$779	\$779	(\$2,830)	\$411
48	101602 President and Chief Operating Officer - Aqua Texas	\$14,702		\$1,179	\$1,179	(\$3,970)	\$4,212
49	101612 Executive Assistant	\$0		\$0	\$0	\$0	\$421
50	101628 Environmental Compliance Coordinator	\$0		\$779	\$779	(\$156)	\$609
51	50172 Vice President - Operations & Engineering	\$20,024		\$1,179	\$1,179	(\$4,241)	\$1,090
52	XXXXX Controller	\$6,682		\$779	\$779	(\$2,830)	\$713
53	100228 Rates & Regulatory Manager	\$0		\$779	\$779	\$0	\$713
54	80093 Financial Accountant Assistant	\$6,682		\$446	\$446	(\$1,426)	\$325
55	102016 Sr Financial Accountant	\$6,682		\$779	\$779	(\$1,492)	\$508
56	Total K&M Annual Cost	\$94,878		\$8,368	\$8,368	(\$22,292)	\$8,231
<b>(1) Existing Empl K&amp;M Medical-Dental Costs</b>							
	Existing Employee Count	\$386,085		\$23,789	\$23,789	(\$65,677)	\$8,067
	Average Per Employee	\$13,313		\$820	\$820	(\$2,265)	\$278
	Average Cost for 4 Employees	\$53,253		\$3,281	\$3,281	(\$9,059)	\$1,113

(2) See Footnote (3) WP-Adj1 4.27%

AQUA TEXAS RATE APPLICATION -NORTH REGION-TY 12/31/2010  
 WP-Support Adj1,2,3,10,11, &12

2011 Ending Base Salary	2012 Salary 4% Increase 4.00%	K&M Gross Wages & Salary	K&M Exp Salary	CAPITAL CAPITALIZED	% CAPITALIZED	OT Rate	OT Cost	% OT CAPITALIZED	Annual Health & Medco	Annual Dental	Life, ADD & LTD	Employee Payments	Opt Out	Profit Sharing & 401K Match 604704- 837
\$1,133,162		\$1,178,488	\$1,058,265	\$120,223	10.20%		\$220,289	18.69%	\$14,755	\$386,085	\$8,067	(\$65,677)		\$49,078
\$227,372		\$236,467	\$145,679	\$90,788	38.39%		\$2,700	1.14%	\$327	\$60,101	\$1,726	(\$10,733)		\$8,222
\$1,041,359		\$1,083,014	\$762,204	\$320,810	29.62%		\$11,240	1.04%	\$0	\$94,878	\$8,231	(\$22,292)		\$32,258

AQUA TEXAS RATE APPLICATION -NORTH REGION-TY 12/31/2010

WP-Adj10-Capitlz\_Benefits

K&M BENEFITS CAPITALIZATION

<u><i>NORTH Water &amp; Sewer</i></u>	<u>Capitalized K&amp;M Payroll (1)</u> (a)	<u>Applicable Rate</u> (b)	<u>K&amp;M Capitalized Amounts</u> (c)	<u>Allocated K&amp;M Amounts</u> (d)
Regular	\$129,376			
Overtime	\$9,044			
Total Capitalized	<u>\$138,420</u>	50.10% (2)	\$69,348 (3)	
Total Water	\$970,344		91.69% (4)	<u>\$63,587</u> (5)
Total Sewer	<u>\$87,917</u>		8.31% (4)	<u>\$5,761</u> (5)
	<u>\$1,058,261</u>			
<u><i>TX Admin and North Admin</i></u>				
North Admin	<u>\$91,116</u>	50.10% (2)	\$45,649	<u>\$45,649</u> (3)
Texas Admin	<u>\$320,810</u>	50.10% (2)	\$160,726	<u>\$160,726</u> (3)

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- (1) See Payroll Adjustments 1 and 2
  - (2) Benefits capitalization rate applied to capitalized payroll
  - (3) Capitalized payroll (Column (a)) X Capitalization rate (column (b))
  - (4) Water/Sewer allocation based on K&M payroll see Payroll Adjustments 1 and 2
  - (5) Water/Sewer allocations (column (c)) X Capitalized K&M (column (c))

AQUA TEXAS RATE APPLICATION -NORTH REGION-TY 12/31/2010  
 WP-Adj11-Rev Rel Exp

		Water
1	Total revenue increase	\$4,343,091
	<u>Debt Debt Expense</u>	
2	Bad Debt Rate/(1-Rev Related Expenses or Bad Debt +Franchise Tax) X Line 1	\$73,814
3	<b>Adjustment</b>	<b>\$73,814</b>
	<u>State Franchise Tax</u>	
4	Franchise Tax Rate/(1-Rev Related Expenses or Bad Debt +Franchise Tax) X Line 1	\$37,616
5	<b>Adjustment</b>	<b>\$37,616</b>
6	<b>Bad Debt Rate</b>	<b>0.0165705</b>
7	<b>Franchise tax rate</b>	<b>0.0084444</b>
8	Franchise Taxes Paid	\$124,623.0
9	Total Revenues	\$14,758,031
10	Effective Rate	0.8444%
11	Total Bad Debts Test Year	\$244,549
12	Total Revenues	\$14,758,031
13	Effective Rate	1.6571%

**AQUA TEXAS RATE APPLICATION -NORTH REGION-TY 12/31/2010**  
**WP-Adj12-Insurance**

**K&M INSURANCE ADJUSTMENT**

**TOTAL TEXAS WORKERS COMP**

Workers Compensation Premium	\$28,409	
Workers Compensation Claims	\$21,295	
Total		<u>\$49,704</u>

**Allocate Based on TY Payroll**

North Water	20.54%	<b>\$10,210</b>
North Admin	3.76%	<b>\$1,871</b>
Texas Admin	18.90%	<b>\$9,396</b>

**TOTAL TEXAS LIABILITY**

GL Premium	\$39,906	
GL Claims/Losses	\$285,188	
Umbrella Premium	\$48,724	
Employment Prac/Marsh Fees	\$12,457	
Pollution CEL	\$23,696	
Pollution PARL	\$28,071	
Total		<u>\$438,043</u>

**Allocate Based on Customers**

North Water	23.78%	<b>\$104,167</b>
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**TOTAL TEXAS AUTO**

Premium	\$31,683	
Auto Claims/Losses	\$8,847	
Total		<u>\$40,530</u>

**Allocate Based on Customers**

North Water	23.78%	<b>\$9,638</b>
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**TOTAL TEXAS OTHER INSURANCE**

Property	\$29,033	
Executive Risk	\$24,554	
Claims Handling	\$8,826	
Surety Bonds	\$125	
Total		<u>\$62,538</u>

**Allocate Based on Customers**

North Water	23.78%	<b>\$14,872</b>
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AQUA TEXAS RATE APPLICATION -NORTH REGION-TY 12/31/2010  
 WP-Adj12-Support

2011 Insurance Projection

	Workers Compensation Premium	Workers Compensation Claims	Total Workers Compensation (Prem + Claims)	GL Premium	GL Claims Losses	Umbrella Premium	Employment Prac. Marsh Fees	Pollution CEL	Pollution PARLL	Total Liability Premiums & Claims
AquaAmerica										
Aqua Florida	16,683	14,653	31,336	23,435	29,794	28,614	7,315	-	30,508	119,665
Aqua Illinois	37,404	19,845	57,249	52,541	221,878	64,151	16,401	-	12,596	367,566
Aqua Indiana	18,658	72,257	90,914	26,209	193,986	32,000	8,181	5,472	38,315	304,163
Aqua Maine	13,384	23,367	36,751	18,801	-	22,955	5,869	6,097	-	53,721
Aqua Missouri	2,382	37,501	39,883	3,346	-	4,086	1,045	-	2,924	11,400
Aqua New Jersey	18,213	27,202	45,416	25,584	140,074	31,238	7,986	691	7,565	213,129
Aqua North Carolina	45,856	282,758	328,614	64,414	122,724	78,648	20,107	-	25,750	311,643
Aqua Pennsylvania	201,887	1,077,233	1,279,120	282,925	1,138,093	345,446	88,317	-	-	1,854,782
Aqua Ohio	0	-	-	54,011	156,546	65,947	16,860	19,522	-	312,886
Aqua Wastewater Management	15,883	264,007	279,889	22,311	117,619	27,241	6,964	34,221	-	208,356
<b>Aqua Texas</b>	<b>28,409</b>	<b>21,295</b>	<b>49,704</b>	<b>39,906</b>	<b>285,188</b>	<b>48,724</b>	<b>12,457</b>	<b>23,896</b>	<b>28,071</b>	<b>438,043</b>
Aqua Virginia	11,498	127,059	138,557	16,151	73,447	19,721	5,042	-	12,950	127,312
Aqua New York	23,569	42,823	66,392	33,107	110,650	40,423	10,335	-	-	194,516
Aqua Pennsylvania Sewer	656	-	656	1,585	-	1,935	495	-	14,417	18,432
Aqua Pennsylvania Non-Reg Lab Fees	0	-	-	-	-	-	-	4,017	-	4,017
Aqua Wastewater Management (SES Div)	-	-	-	-	-	-	-	10,345	-	10,345
	434,482	2,010,000	2,444,482	664,326	2,590,000	811,129	207,374	104,062	173,086	4,549,976

AQUA TEXAS RATE APPLICATION -NORTH REGION-TY 12/31/2010  
 WP-Adj12-Support

2011 Insurance Projection

	Auto Premium	Auto Claims Losses	Total Auto Premiums & Claims	Property	Executive Risk	Claims Handling	Flood Insurance	Surety Bonds	Total Annual	Quarterly
Aqua/America										
Aqua Florida	13,340	36,351	49,691	25,558	14,420	2,610	-	202	243,482	60,871
Aqua Illinois	19,732	66,264	85,996	62,633	32,328	9,176	13,422	4,750	633,120	158,280
Aqua Indiana	13,896	1,803	15,699	27,781	16,126	7,558	-	6,360	468,601	117,150
Aqua Maine	9,171	-	9,171	17,280	11,568	692	-	-	129,184	32,296
Aqua Missouri	3,613	1,329	4,942	3,074	2,059	1,160	-	100	62,619	15,655
Aqua New Jersey	11,395	30,903	42,298	30,710	15,742	5,820	-	3,693	356,807	89,202
Aqua North Carolina	46,691	17,505	64,196	104,326	39,634	12,411	-	1,874	862,699	215,675
Aqua Pennsylvania	104,776	67,485	172,261	429,129	174,085	65,808	24,763	128,305	4,128,272	1,032,068
Aqua Ohio	16,953	6,587	23,551	75,764	33,233	4,564	-	1,625	451,623	112,906
Aqua Wastewater Management	13,896	3,916	17,812	224	13,728	11,209	-	14,923	546,140	136,535
Aqua Texas	31,663	8,847	40,530	29,033	24,554	8,826	-	125	580,814	147,704
Aqua Virginia	9,727	6,618	16,345	30,013	9,838	6,035	-	4,350	332,550	83,138
Aqua New York	10,283	2,381	12,664	19,406	20,371	3,030	-	725	317,104	79,276
Aqua Pennsylvania Sewer	-	-	-	-	975	-	-	-	20,063	5,016
Aqua Pennsylvania Non-Reg Lab Fees	-	-	-	-	-	-	-	-	4,017	1,004
Aqua Wastewater Management (SES Div)	-	-	-	-	-	-	-	-	10,345	2,586
	305,156	250,000	555,156	854,930	408,762	138,898	38,205	167,032	9,157,441	2,289,360

AQUA TEXAS RATE APPLICATION -NORTH REGION-TY 12/31/2010  
WP-Adj13-Rate Case Exp

Estimated Rate Case Costs Up to Filing

	<u>K&amp;M Amount</u>
Legal	\$55,000
Consulting	\$145,000
Print/Mail Notices	\$48,743
Misc/Travel	\$10,000
Total	<u>\$258,743</u>
Amortize 3 Years	<u>\$86,248</u>

AQUA TEXAS RATE APPLICATION -NORTH REGION-TY 12/31/2010

WP-Adj14-Pumping Fees Adj

Pumping Fees K&M Adjustment

	Test Year	Expense	Adjustment (1)	K&M Expense	Normalizing Adjust. (2)	K&M Expense
	(a)	(b)	(c)	(d)	(e)	
1	Southern Trinity GCD (37473)	\$11,716	\$0	\$11,716	\$98	\$11,814
2	Upper Trinity GCD (36974)	\$123,902	\$0	\$123,902	\$1,039	\$124,941
3	Neches and Trinity Valley GCD (27203)	\$4,068	\$0	\$4,068	\$34	\$4,102
4	Accruals	\$33,383	(\$33,383)	\$0	\$0	\$0
5	Total	\$173,069	\$0	\$139,686	\$1,171	<b>\$140,857</b>

(1) Any increases reflect recently implemented rate increases or new rates.

(2) Apply Volumetric Normalization Percentage Change of: 0.84%  
 Volumetric Impact of Non-Rev Water Loss over 15%: 0.00%

**OTHER ADJUSTMENTS**

*North Texas Water*

**REPAIRS/MAINTENANCE/SUPPLIES**

Remove out of period adjustment  
 WT-Mat&Sup-T&D OP-TOOL PURCH

**MISCELLANEOUS**

Remove Expenses Not Allowed Per 291.31  
 WT-A&G Emp-FLOWERS & FRUIT  
 WT-Misc-A&G-CONTRIB  
 WT-Misc-A&G-FINES&PENALTIES  
 Misc NonUtil Exp-CHARIT CONTR  
 Misc NonUtil Exp-OTHER

**DEPRECIATION & AMORTIZATION**

Remove Expired Regulatory Charges  
 Amort Regulatory Debits  
 Remove Excluded Credits  
 Amort-CIAC

*North Texas Admin*

**MISCELLANEOUS**

Remove Expenses Not Allowed Per 291.31  
 WT-A&G Emp-FLOWERS & FRUIT  
 WT-A&G Emp-EMPLY X-MAS GIFTS

*Texas Admin*

**OFFICE EXPENSES**

Remove Materials & Supplies Inventory Adjustments  
 WT-Mat&Sup-T&D OPER-Gen  
 WT-Mat&Sup-A & G  
 Remove Business Development Related Charges:  
 WT-Cont Serv-Oth-A&G

**INSURANCE**

Remove Out of Period Credit  
 INSURANCE

**MISCELLANEOUS**

K&M Corporate Service Fee  
 K&M Corporate Costs Adjustment Jan. 2011  
 Remove Per Book Allocations  
 WT-Region Mgmt Fees  
 SW-Cont Serv-MgtFee-A&G  
 WT-Cont Serv-Mgmt F-A & G  
 WT-Corp Mgmt Fees Only

Remove Out of Period Costs  
 TOTAL

Remove Hastings Communications Services Canceled  
 SW-Misc-A&G-TRV-HOTEL

Remove Expenses Not Allowed Per 291.31  
 WT-A&G Emp-EMPLY X-MAS GIFTS  
 WT-A&G Emp-FLOWERS & FRUIT  
 WT-Misc-A&G-Civic Org Events (Aqua Connects)  
 WT-Misc-A&G-ENTERTAIN  
 WT-Misc-A&G-FINES&PENALTIES

**DEPRECIATION & AMORTIZATION**

Remove Depreciation Expense and Other Amortization  
 Deprec Exp-Utility Plant  
 Amort-Other Utility Plant

BOOK ADJUSTMENTS	K&M ADJUSTMENTS
\$800	
	(\$49)
	(\$300)
	(\$223)
	(\$9)
(\$38,648)	
	(\$1,873,522)
\$156,266	
	(\$226)
	(\$50)
(\$118,802)	
\$150,199	
(\$22,363)	
\$11,401	
	\$80,678
\$20,024	
\$227,652	
\$1,114,530	
(\$396)	
\$66,423	
	(\$5,911)
	(\$7,526)
	(\$590)
	(\$20,528)
	(\$20)
	(\$274)
(\$167,156)	
\$13,511	

**AQUA TEXAS RATE APPLICATION -NORTH REGION-TY 12/31/2010**

**WP-Adj16-Plt Expenses**

**NORMALIZE PLANT RELATED EXPENSES**

**Depreciation Expense:**

- 1 Plant Construction in Service by 12/31/2011
- 2 2011-IT General Allocable Share of Corporate Plant
- 3 Total
- 4 Effective Depreciation Expense Rate  
Total K&M Depreciation Expenses

**Water**

\$1,338,913  
\$115,472  
\$1,454,385

2.17%

**\$31,533**

**Property Tax**

- 5 Total CCNC Additions
- 6 North Region Effective Property Tax Rate
- 7 K&M Increase in Property Tax

\$1,338,913  
0.326%

**\$4,363**

AQUA TEXAS RATE APPLICATION -NORTH REGION-TY 12/31/2010

WP-North Alloc\_Factors\_

**TEST YEAR ALLOCATION FACTORS**

**CUSTOMERS**

	<u>WTR-NTX</u>	<u>SWR-NTX</u>	<u>Total</u>	<u>WTR-NTX</u>	<u>SWR-NTX</u>	<u>Total</u>
2010	16,796	1,074	19,283	16,796	1,074	64,712
2011	17,357	1,173	19,923	17,357	1,173	68,768
Average	17,077	1,124	19,603	17,077	1,124	66,740
Percent	87.11%	5.73%	92.84%	25.59%	1.68%	27.27%
Buffalo Creek Excluded			7.16%			2.10%
			100.00%			29.37%

**TEXAS**

	<u>WTR</u>	<u>SWR</u>	<u>Total</u>
2010	48,909	12,983	64,712
2011	51,833	13,909	68,768
Average	50,371	13,446	66,740
Percent	75.47%	20.15%	95.62%

**K&M ALLOCATION FACTORS**

**CUSTOMERS**

	<u>WTR-NTX</u>	<u>SWR-NTX</u>	<u>Total</u>	<u>WTR-NTX</u>	<u>SWR-NTX</u>	<u>Total</u>
6/30/2011	17,439	1,219	20,042	17,439	1,219	73,336
	87.01%	6.08%	93.09%	23.78%	1.66%	25.44%
State Water/Sewer Allocation Excludes Buffalo Creek			6.91%	31.23%	8.26%	1.89%

**TEXAS**

	<u>WTR</u>	<u>SWR</u>	<u>Total</u>
6/30/2011	55,835	14,766	73,336
	76.14%	20.13%	96.27%

**PAYROLL ALLOCATION FACTORS**

12/31/2010	Admin Nrth	\$204,226	3.76%
	Texas Admin	\$1,025,706	18.90%
	Water NTX	\$1,114,581	20.54%
	Total	\$5,426,013	

## **AQUA TEXAS RATE APPLICATION -NORTH REGION-TY 12/31/2010**

### **WP-Norm Explain**

#### **Volumetric Normalization Work Papers Explanation**

In recent years, Aqua Texas' North Region has seen substantial variation in water use due to extreme weather patterns. At one end of the spectrum, 2007 was a very wet year and generally resulted in water sales that were lower than normal. At the other end of the spectrum, 2009 was extraordinarily hot and dry, which generally resulted in water sales that were higher than normal. Workpapers have been provided that detail the normalization calculations which smooth out the extremes that have been experienced in recent years to create a more consistent and accurate calculation of "normal water usage."

This Rate Application uses the 12 months ended 12/31/2010 as the "test year". Aqua Texas has averaged the volumes using volumes actually sold for 2007, 2008, 2009 and 2010. The average includes a a very hot and dry year and a cooler and wetter than normal year. This practice of normalization to account for weather fluctuations is routinely used in electric and gas rate cases before the Public Utility Commission of Texas and the Texas Railroad Commission and is customary in a number of other jurisdictions across the country as well.

The methodology of averaging the usage is simple and provides reasonable results. Although a more complex statistical methodology can be applied, it would require the accumulation and balance of a number of variables such as rainfall, temperature, humidity, etc. and we believe the results would not be much different than what a simple average provides.

#### ***WP-Volume Norm Summary***

This work paper summarizes the volumetric normalization adjustments which consists of an increase in volumes for customer growth and a decrease in volumes for usage normalization.

#### ***WP-Cust Growth Norm Vols***

This work paper annualizes the test year end customer bills, and applies the increase in bills due to customer growth to the average test year normalized volumes.

#### ***WP-Norm Vols***

This work paper takes the average usage for the years 2007 through 2010 . The average usage is deducted from the test year usage to determine the increase or decrease in volumes in order to reflect a normal year's usage for rate making purposes.



**AQUA TEXAS RATE APPLICATION -NORTH REGION-TY 12/31/2010**  
**WP-Adj17 Bills & Vols Summary**

**Adjust Test Year Bills and Volumes for Customer Growth:**

	<u>Test Year</u>	<u>Growth (1,3)</u>	<u>Norm (2)</u>	<u>As Adjusted</u>	<u>Increase Percent</u>	<u>Block 1 Under 20k</u>	<u>Block 2 Over 20k</u>
<b>Volumes</b>							
Step 1	192,403	1,613	(504)	193,511			
Step 2	11,597,880	97,215	(30,407)	11,664,688			
Step 3	1,903,567	15,956	(4,991)	1,914,532			
Step 4	1,423	12	(4)	1,432			
Total	<u>13,695,273</u>	<u>114,796</u>	<u>(35,906)</u>	<u>13,810,068</u>	0.84%	<u>11,912,314</u>	<u>1,897,754</u>
<b>Bills</b>							
5/8"	194,692	1,665		196,356			
1"	1,169	(22)		1,147			
2"	86	3		90			
3"	12	0		12			
	<u>195,959</u>	<u>1,646</u>		<u>197,605</u>			

(1) See WP-Cust Growth Bills & Vols

(2) See WP-Norm Vols. 4 year average

(3) Exp Impact on Bad Debt & State Franchise

Growth per WP Cust Growth	\$96,388
Volumes X Proof Average	<u>(\$11,516)</u>
Revenue Impact	<u>\$84,872</u>

Bad Debt Rate WP Adj

Per WP -Adj12	1.6571%	<u>\$1,406</u>
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State Franchise Tax Rate WP Adj

Per WP -Adj12	0.8444%	<u>\$717</u>
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AQUA TEXAS RATE APPLICATION -NORTH REGION-TY 12/31/2010  
 WP-TY Proof

Texas North AUs - Billed BFCs per Month  
 (7000, 7003, 7035 & 7027)

Meter/Sig.	BFC	Test Year Billing Determinants												Volumetric Revenue					
		Step 1	Step 2	Step 3	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10		Oct-10	Nov-10	Dec-10	Bill	Volumes
0 Sills	\$ 19.0	\$ 13.5	\$ 14.0	\$ 35.0	\$ 42.0	\$ 39.0	\$ 39.0	\$ 41.3	\$ 52.2	\$ 52.2	\$ 18,189	\$ 16,696	\$ 15,419	\$ 15,835.7	\$ 15,814.8	\$ 15,828.1	\$ 15,920.4	189,524.6	\$6,991,561
0 Bills Base Gallonage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	412.8	\$ -
Aqua North	\$ 36.89	\$ 15,695.7	\$ 15,493.6	\$ 15,623.8	\$ 15,644.0	\$ 15,814.8	\$ 15,835.7	\$ 15,814.8	\$ 15,835.7	\$ 15,851.4	\$ 15,814.8	\$ 15,835.7	\$ 15,814.8	\$ 15,835.7	\$ 15,814.8	\$ 15,835.7	\$ 15,814.8	189,524.6	\$6,991,561
Buffalo Creek	\$ 36.89	\$ 730.0	\$ 737.0	\$ 741.0	\$ 741.0	\$ 741.0	\$ 741.0	\$ 741.0	\$ 741.0	\$ 741.0	\$ 741.0	\$ 741.0	\$ 741.0	\$ 741.0	\$ 741.0	\$ 741.0	\$ 741.0	(8,851.0)	(\$326,513)
Aqua North	\$ 92.23	\$ 88.0	\$ 89.6	\$ 88.0	\$ 88.0	\$ 88.0	\$ 88.0	\$ 88.0	\$ 88.0	\$ 88.0	\$ 88.0	\$ 88.0	\$ 88.0	\$ 88.0	\$ 88.0	\$ 88.0	\$ 88.0	1,091.3	\$100,654
Buffalo Creek	\$ 92.23	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	(30.0)	(\$2,767)
Aqua North	\$ 295.15	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0	74.3	\$21,930
Aqua North	\$ 0.327	\$ 823.020	\$ 823.020	\$ 823.020	\$ 823.020	\$ 823.020	\$ 823.020	\$ 823.020	\$ 823.020	\$ 823.020	\$ 823.020	\$ 823.020	\$ 823.020	\$ 823.020	\$ 823.020	\$ 823.020	\$ 823.020	11,479.078	\$3,753,659
Buffalo Creek	\$ 0.327	\$ 47,857.0	\$ 47,857.0	\$ 47,857.0	\$ 47,857.0	\$ 47,857.0	\$ 47,857.0	\$ 47,857.0	\$ 47,857.0	\$ 47,857.0	\$ 47,857.0	\$ 47,857.0	\$ 47,857.0	\$ 47,857.0	\$ 47,857.0	\$ 47,857.0	\$ 47,857.0	(561,801)	(\$183,709)
Aqua North	\$ 0.327	\$ 78,511	\$ 51,261	\$ 41,634	\$ 51,405	\$ 49,059	\$ 49,059	\$ 49,059	\$ 49,059	\$ 49,059	\$ 49,059	\$ 49,059	\$ 49,059	\$ 49,059	\$ 49,059	\$ 49,059	\$ 49,059	1,730,576	\$565,898
Eagle's Bluff	\$ 41.61	\$ 96.4	\$ 91.9	\$ 92.0	\$ 92.0	\$ 92.0	\$ 92.0	\$ 92.0	\$ 92.0	\$ 92.0	\$ 92.0	\$ 92.0	\$ 92.0	\$ 92.0	\$ 92.0	\$ 92.0	\$ 92.0	1,211.7	\$50,417
Eagle's Bluff	\$ 624.15	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	12.0	\$7,890
Eagle's Bluff	\$ 0.363	\$ 743	\$ 282	\$ 380	\$ 2,790	\$ 5,945	\$ 8,444	\$ 8,444	\$ 8,444	\$ 8,444	\$ 8,444	\$ 8,444	\$ 8,444	\$ 8,444	\$ 8,444	\$ 8,444	\$ 8,444	46,553	\$16,899
Eagle's Bluff	\$ 0.363	\$ 5,100	\$ 3,319	\$ 3,631	\$ 8,609	\$ 10,976	\$ 11,210	\$ 11,401	\$ 11,483	\$ 11,483	\$ 11,483	\$ 11,483	\$ 11,483	\$ 11,483	\$ 11,483	\$ 11,483	\$ 11,483	113,726	\$41,283
Eagle's Bluff	\$ 0.484	\$ 2,017	\$ 1,555	\$ 2,433	\$ 1,803	\$ 3,860	\$ 2,433	\$ 3,860	\$ 2,433	\$ 3,860	\$ 2,433	\$ 3,860	\$ 2,433	\$ 3,860	\$ 2,433	\$ 3,860	\$ 2,433	17,817	\$8,623
Eagle's Bluff	\$ 0.484	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	36,449	\$17,641
Holiday Estates	\$ 30.00	\$ 75.1	\$ 70.0	\$ 70.5	\$ 69.0	\$ 69.0	\$ 69.0	\$ 69.0	\$ 69.0	\$ 69.0	\$ 69.0	\$ 69.0	\$ 69.0	\$ 69.0	\$ 69.0	\$ 69.0	\$ 69.0	846.4	\$15,391
Holiday Estates	\$ 0.50	\$ 1,016	\$ 737	\$ 1,058	\$ 1,165	\$ 1,342	\$ 1,391	\$ 1,391	\$ 1,391	\$ 1,391	\$ 1,391	\$ 1,391	\$ 1,391	\$ 1,391	\$ 1,391	\$ 1,391	\$ 1,391	17,082	\$5,965
Holiday Estates	\$ 0.50	\$ 675	\$ 542	\$ 444	\$ 571	\$ 568	\$ 560	\$ 560	\$ 560	\$ 560	\$ 560	\$ 560	\$ 560	\$ 560	\$ 560	\$ 560	\$ 560	7,202	\$2,521
Holiday Estates	\$ 0.580	\$ 599	\$ 76	\$ 394	\$ 184	\$ 303	\$ 988	\$ 1,479	\$ 931	\$ 1,085	\$ 402	\$ 95	\$ 285	\$ 6,801	\$ 6,801	\$ 6,801	\$ 6,801	567	\$2,584
Holiday Estates	\$ 0.480	\$ 107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	412	\$72
Hood County	\$ 41.10	\$ 459.0	\$ 454.5	\$ 457.2	\$ 457.6	\$ 462.4	\$ 466.9	\$ 465.7	\$ 472.4	\$ 472.3	\$ 516.2	\$ 490.5	\$ 461.9	\$ 472.3	\$ 516.2	\$ 490.5	\$ 461.9	5,636.4	\$231,655
Hood County	\$ 0.300	\$ 8,504	\$ 5,357	\$ 4,492	\$ 7,037	\$ 8,450	\$ 11,939	\$ 17,232	\$ 17,052	\$ 16,456	\$ 12,553	\$ 8,871	\$ 6,191	\$ 17,052	\$ 12,553	\$ 8,871	\$ 6,191	124,135	\$37,240
Saddle Club	\$ 24.00	\$ 134.2	\$ 135.0	\$ 135.7	\$ 134.5	\$ 134.0	\$ 134.2	\$ 136.7	\$ 167.8	\$ 136.7	\$ 132.9	\$ 130.7	\$ 133.7	\$ 136.7	\$ 130.7	\$ 133.7	\$ 136.7	1,645.1	\$39,483
Saddle Club	\$ 40.00	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0	84.0	\$3,360
Saddle Club	\$ 0.200	\$ 9,058	\$ 7,456	\$ 6,306	\$ 10,960	\$ 12,928	\$ 15,981	\$ 16,824	\$ 19,571	\$ 17,162	\$ 14,277	\$ 12,712	\$ 11,374	\$ 17,162	\$ 12,712	\$ 11,374	\$ 12,712	154,619	\$30,924
Saddle Club	\$ 0.350	\$ 162	\$ 235	\$ 1,280	\$ 4,915	\$ 13,084	\$ 17,883	\$ 20,089	\$ 24,564	\$ 10,077	\$ 4,568	\$ 1,926	\$ -	\$ 24,564	\$ 10,077	\$ 4,568	\$ 1,926	98,783	\$34,574
Shell Shores / Cedar Bay	\$ 26.50	\$ 234.8	\$ 234.7	\$ 232.6	\$ 230.1	\$ 228.9	\$ 230.6	\$ 230.8	\$ 229.5	\$ 229.5	\$ 229.7	\$ 229.4	\$ 229.1	\$ 229.5	\$ 229.7	\$ 229.4	\$ 229.1	2,770.1	\$73,409
Shell Shores / Cedar Bay	\$ 0.231	\$ 11,028	\$ 8,454	\$ 8,137	\$ 11,119	\$ 13,995	\$ 16,796	\$ 14,888	\$ 15,385	\$ 15,843	\$ 12,484	\$ 9,449	\$ 6,908	\$ 15,843	\$ 12,484	\$ 9,449	\$ 6,908	147,186	\$34,000
Shell Shores / Cedar Bay	\$ 0.308	\$ 1,235	\$ 446	\$ 826	\$ 195	\$ 665	\$ 1,257	\$ 1,012	\$ 2,459	\$ 1,008	\$ 1,122	\$ 1,002	\$ 737	\$ 2,459	\$ 1,122	\$ 1,002	\$ 737	11,964	\$3,685
Stony Hill/Springhill	\$ 25.00	\$ 140.2	\$ 140.0	\$ 145.2	\$ 140.6	\$ 140.7	\$ 141.4	\$ 139.9	\$ 141.0	\$ 141.0	\$ 140.0	\$ 139.6	\$ 138.0	\$ 141.0	\$ 139.6	\$ 138.0	\$ 138.0	1,685.9	\$42,147
Spring Hill / Stony Hill	\$ 42.50	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	24.0	\$1,020
Spring Hill / Stony Hill	\$ 132.50	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	12.0	\$1,590
Stony Hill/Spring Hill	\$ 0.260	\$ 3,620	\$ 3,199	\$ 3,410	\$ 3,945	\$ 5,024	\$ 6,837	\$ 8,544	\$ 7,198	\$ 7,515	\$ 4,938	\$ 5,360	\$ 4,148	\$ 7,515	\$ 4,938	\$ 5,360	\$ 4,148	64,738	\$16,832
T & L Water	\$ 46.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	102.5	\$4,510
T & L Water	\$ 0.400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,177	\$471
T & L Water	\$ 0.500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	856.33	\$428
T & L Water	\$ 20.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	135.3	\$2,707
T & L Water	\$ 0.500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5,985	\$2,993
T & L Water	\$ 0.500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	13,695,856	\$11,660,824
T & L Water	\$ 0.500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	44,235,227	\$4,392,782
T & L Water	\$ 0.500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	62,336	\$7,266,042
T & L Water	\$ 0.500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	50,320	\$0,320

Total Meter Revenues		Average TV Volume Rate	
Block 0-5kg	1,181,447	Block 0-5kg	7.13
Block 5-10kg	2,728,471	Block 5-10kg	2.72
Block 10-15kg	1,199,314	Block 10-15kg	1.19
Block 15-20kg	704,595	Block 15-20kg	0.70
Block Under 20kg	11,813,797	Block Under 20kg	11.81
Block Over 20kg	1,882,059	Block Over 20kg	1.88
<b>Total</b>	<b>13,695,856</b>	<b>Total</b>	<b>13.74%</b>

**AQUA TEXAS RATE APPLICATION - NORTH REGION-TY 12/31/2010**  
**WP-Cust Growth Bills & Vols**

**Texas North AUS - Billed BFCs per Month**  
**(7000, 7003, 7035 & 7027)**

Meter/Site	BFC	Annualize Test Year Growth												Revenue Impact of Customer Growth		
		Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10		Customer Bills Increase (Decrease)	TY Average Usage
0 Bills	\$ -	19.0	13.5	14.0	35.0	42.0	39.0	39.0	41.3	41.3	40.0	35.0	412.8			
0 Bills Base Gallonage	\$ -	15,164	14,587	14,790	15,272	15,439	16,424	16,437	16,696	16,839	16,883	16,005	192,093.0			
Aqua North	\$ 36.89	14,965.7	14,756.6	14,884.8	14,907.0	15,079.8	15,085.7	15,105.4	15,108.6	15,426.7	15,102.1	15,195.4	180,673.6	1,671.3	69.74	116,557.6
Aqua North	\$ 92.23	86.0	87.6	86.0	94.3	88.0	91.6	89.7	88.0	87.0	86.7	86.6	1,061.3	(22.1)	69.74	(1,548.5)
Aqua North	\$ 295.15	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	7.8	6.5	74.3	3.3	69.74	230.2
Aqua North	\$ 0.327	775,163	647,236	607,192	771,745	872,018	1,064,847	1,215,905	1,186,248	944,673	817,184	810,839	10,917,777.1			
Aqua North	\$ 0.327	78,511	51,261	41,634	51,405	89,059	183,507	286,095	366,793	153,075	83,940	31,727	1,730,575.6			
Eagle's Bluff	\$ 41.61	96.4	91.2	91.9	92.0	92.0	92.0	93.1	94.2	163.7	100.7	100.0	1,111.7	(11.7)	69.74	(813.7)
Eagle's Bluff	\$ 624.15	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	12.0			
Eagle's Bluff	\$ 0.363	743	282	380	2,790	5,345	5,844	5,549	6,563	6,847	3,509	2,451	46,553.3			
Eagle's Bluff	\$ 0.363	5,100	3,319	3,631	6,609	10,358	10,976	11,441	11,483	20,798	8,659	8,242	113,746.0			
Eagle's Bluff	\$ 0.484	2,017	1,017	1,017	1,017	1,017	1,017	1,017	1,017	1,017	1,017	1,017	17,816.7			
Eagle's Bluff	\$ 0.484	14	14	14	1,200	3,098	4,134	3,321	6,454	9,209	1,404	1,340	36,405.0			
Holiday Estates	\$ 30.00	75.1	70.0	70.5	69.0	69.0	69.0	72.0	70.8	70.0	70.0	70.0	846.4	(6.4)	69.74	(444.0)
Holiday Estates	\$ 0.350	1,016	737	1,058	1,165	1,342	1,931	2,447	1,873	1,300	980	1,011	17,603.3			
Holiday Estates	\$ 0.350	675	542	444	571	568	580	552	699	699	703	630	7,202.9			
Holiday Estates	\$ 0.380	599	76	394	184	303	988	1,479	1,085	402	95	265	6,900.7			
Holiday Estates	\$ 0.480	107					48		412				567.0			
Hood County	\$ 41.10	459.0	454.5	457.2	457.6	462.4	466.9	465.7	472.4	472.3	490.5	461.9	5,636.4	(84.0)	69.74	(6,553.4)
Hood County	\$ 0.300	8,504	5,357	4,922	7,037	8,450	11,939	17,232	16,456	12,553	8,871	6,191	124,134.7			
Saddle Club	\$ 24.00	134.2	135.0	135.7	134.5	134.0	134.2	136.7	135.7	132.9	130.7	133.7	1,645.1	(40.7)	69.74	(2,840.8)
Saddle Club	\$ 40.00	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	84.0			
Saddle Club	\$ 0.200	9,058	7,456	6,306	10,960	12,928	15,991	16,824	17,162	14,277	12,712	11,374	154,619.9			
Saddle Club	\$ 0.350	162	235		1,280	4,915	13,084	17,883	24,564	10,077	4,568	1,926	98,783.0			
Shell Shores / Cedar Bay	\$ 26.50	234.8	234.7	232.6	230.1	228.9	230.6	230.8	229.5	230.0	229.4	229.1	2,770.1	(20.9)	69.74	(1,459.8)
Shell Shores / Cedar Bay	\$ 0.231	11,028	8,454	8,137	11,119	13,995	16,796	14,888	15,385	15,843	12,484	9,449	147,185.7			
Shell Shores / Cedar Bay	\$ 0.308	1,235	446	826	195	665	1,257	1,012	2,459	1,008	1,122	1,002	11,964.3			
Stony Hill / Springhill	\$ 25.00	140.2	140.0	145.2	140.6	140.7	141.4	139.9	141.0	139.2	139.6	138.0	1,685.9	(80.3)	69.74	(2,110.7)
Spring Hill / Stony Hill	\$ 42.50	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	24.0			
Spring Hill / Stony Hill	\$ 132.50	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	12.0			
Stony Hill / Spring Hill	\$ 0.260	3,620	5,199	3,410	3,945	5,024	5,837	8,544	7,198	7,515	5,360	4,148	64,737.7			
T & A Water	\$ 44.00						11.7	15.8	15.0	14.0	17.0	15.0	102.5	77.5	69.74	5,404.9
T & A Water	\$ 0.400						170	305	360	24	206	112	1,177.3			
T & A Water	\$ 0.400						41	58	64	315	378	856.3				
VLS Inc (China Springs)	\$ 20.00						20.0	20.0	20.0	20.0	20.0	20.0	120.0	120.0	69.74	8,369.0
VLS Water	\$ 0.400						1,240	1,361	845	741	428	787	5,402.0			
Total Per Proof													13,695,273	1,646.0		114,795.6
Total Per Books													196,372.06	\$0.32		\$59,569
													69,744,526.6			\$36,819
Total North		16,105	15,882	16,018	16,031	16,207	16,231	16,279	16,277	16,285	16,712	16,300	194,692	196,356		
Total North	1	95	97	95	103	97	101	99	99	97	96	96	1,169	1,147		
Total North	2	7	7	7	7	7	7	7	7	7	7	7	86	90		
Total North	3	1	1	1	1	1	1	1	1	1	1	1	12	12		
Total North		16,208	15,987	16,121	16,142	16,312	16,340	16,386	16,384	16,390	16,815	16,406	195,959	197,605	1,646	

AQUA TEXAS RATE APPLICATION -NORTH REGION-TY 12/31/2010  
 WP-NORTH Vols

	2007		2008		2009		2010		Four Year Average
	Volumes	Cust	Volumes	Average	Volumes	Cust	Volumes	Cust	
North									
Jan	747,052	15,875	856,790	53.32	942,891	16,535	956,174	16,807	53.57
Feb	754,823	15,829	867,705	54.09	842,306	16,575	790,804	16,813	56.89
Mar	767,870	15,832	762,943	47.33	849,814	16,587	718,116	16,864	47.04
Apr	852,299	15,941	859,539	53.05	972,098	16,582	928,636	16,923	42.58
May	848,092	15,970	986,727	60.51	979,119	16,618	1,090,999	16,959	54.87
Jun	946,386	15,995	1,414,129	86.65	1,211,476	16,799	1,407,502	17,045	59.22
Jul	905,210	16,056	1,768,261	107.95	1,910,452	16,816	1,678,352	17,066	75.13
Aug	1,047,559	16,063	1,954,697	119.13	1,662,299	16,843	1,678,149	17,081	82.58
Sep	1,479,111	16,090	1,309,941	79.93	1,554,702	16,851	1,755,981	17,069	98.25
Oct	1,157,628	16,104	1,203,949	72.60	945,398	16,864	1,201,685	17,033	102.88
Nov	1,070,629	16,138	1,255,951	75.67	855,237	16,852	999,465	17,048	70.55
Dec	943,765	16,117	874,524	52.74	809,242	16,822	921,767	17,460	62.85
Total	11,520,524	192,010	14,115,156	71.91	13,535,034	200,744	14,127,630	204,168	52.79

Four Year Average 67.09  
 Test Year Average 69.14  
 Norm Adjustment Per Customer -2.06  
 Test Year End Customers 17,460  
 Normalization Adjustment (35,906)



AQUA TEXAS RATE APPLICATION-NORTH REGION-TV 12/31/2010  
 WP-Sewer Income Statement

ACT UNIT  
 Rate Div (3)  
 Region (4)  
 Area (5)  
 Area Description (6)  
 Service (7)  
 Type (8)  
 IDU

(All)  
 North Sewer  
 NTX  
 (All)  
 (All)  
 S  
 IDU

NORTH SEWER INCOME STATEMENT USED FOR ALLOCATIONS

MONTH	1	2	3	4	5	6	7	8	9	10	11	12	Grand Total
11.0M MGMT FEES-Corp	3,115.30	2,216.81	3,698.54	3,002.20	3,285.39	3,628.72	2,821.48	4,022.47	2,917.15	3,108.85	3,036.72	3,486.49	38,340.12
SW-Corp Mgmt Fees Only	3,115.30	2,216.81	3,698.54	3,002.20	3,285.39	3,628.72	2,821.48	4,022.47	2,917.15	3,108.85	3,036.72	3,486.49	38,340.12
11.0 OM MGMT FEES-States	5,275.11	3,881.03	5,230.73	10,433.57	2,369.82	8,073.31	4,095.11	7,000.44	5,756.14	4,382.80	9,960.21	6,734.84	61,723.43
SW-Cont Serv-MgtFees-States	5,275.11	3,881.03	5,230.73	10,433.57	2,369.82	8,073.31	4,095.11	7,000.44	5,756.14	4,382.80	9,960.21	6,734.84	61,723.43
11.1 OM MGMT FEES-States (Region)	41.90	37.10	105.68	39.32	62.18	105.43	58.33	103.25	106.01	1,016.19	102.58	105.27	1,883.24
SW-Region Mgmt Fees	41.90	37.10	105.68	39.32	62.18	105.43	58.33	103.25	106.01	1,016.19	102.58	105.27	1,883.24
12.0 OM CUST OPS-ACCO Allocation	1,453.61	1,477.55	1,677.41	1,488.77	1,448.94	1,523.05	1,479.71	1,530.03	1,478.22	1,337.65	1,546.88	1,667.44	18,110.26
SW-ACCO Allocation	1,453.61	1,477.55	1,677.41	1,488.77	1,448.94	1,523.05	1,479.71	1,530.03	1,478.22	1,337.65	1,546.88	1,667.44	18,110.26
12.1 OM CUST OPS-Direct	833.32	816.86	844.01	928.42	1,057.69	868.94	868.84	851.89	869.07	893.21	893.68	889.95	10,499.88
SW-ACCO Lockbox Fees	147.54	150.81	131.34	178.58	153.68	128.31	158.26	146.07	157.27	145.92	148.47	165.32	1,811.57
SW-WorkFlow Billing Postage	502.92	484.31	502.37	507.12	506.03	542.11	525.08	519.30	526.84	516.69	513.87	534.05	6,180.69
SW-WorkFlow Processing Fee	182.86	181.74	180.30	243.72	397.98	11.52	185.50	186.52	286.96	230.60	231.34	190.58	2,507.62
14 OM OS ACCOUNTING	149.51	149.51	262.88	258.75	308.27	254.89	278.56	254.20	266.18	261.49	173.12	265.07	2,882.43
SW-Cont-Serv-Act-A&G	149.51	149.51	262.88	258.75	308.27	254.89	278.56	254.20	266.18	261.49	173.12	265.07	2,882.43
15 OM OS LEGAL	49.67	49.67	49.67	49.67	49.67	49.67	49.67	49.67	49.67	49.67	49.67	49.67	596.04
SW-Cont-Serv-Legal-A&G	49.67	49.67	49.67	49.67	49.67	49.67	49.67	49.67	49.67	49.67	49.67	49.67	596.04
16 OM OS LAB TESTING	6,614.25	5,157.50	7,078.00	7,205.70	5,303.40	6,814.08	9,094.40	6,375.50	7,615.40	6,201.00	6,537.75	4,875.85	78,876.83
SW-Cont-Serv-Test-&D Oper	6,614.25	5,157.50	7,078.00	7,205.70	5,303.40	6,814.08	9,094.40	6,375.50	7,615.40	6,201.00	6,537.75	4,875.85	78,876.83
17 OM OS COMP SVS	231.23	231.23	171.79	126.57	71.51	12.50							844.83
SW-Cont-Serv-Oh-A&G-HRDW MANT	18.75	18.75											37.50
SW-Cont-Serv-Oh-A&G-SFTW MANT	212.48	212.48	171.79	126.57	71.51	12.50							807.33
18.0 OM OS OTHER-Operations													330.00
SW-Cont-Serv-Oh-Collect Oper													330.00
18.1 OM OS OTHER-Maint	7,302.72	4,679.37	6,731.70	8,189.42	9,376.05	4,905.96	9,154.26	10,649.98	10,126.57	4,252.62	7,051.46	10,652.58	93,072.69
SW-Cont-Serv-Oh-Collect Maint	7,302.72	4,679.37	6,731.70	8,189.42	9,376.05	4,905.96	9,154.26	10,649.98	10,126.57	4,252.62	7,051.46	10,652.58	93,072.69
18.2 OM OS OTHER-Source MAINT		1,339.00			94.60								1,833.60
SW-Cont-Serv-Oh-Source MAINT		1,339.00			94.60								1,833.60
18.3 OM OS OTHER-Bldg&Grounds													1,850.00
SW-Cont-Serv-Oh-Build&Grounds													1,850.00
19.0 OM LEASES-Bldg	728.64	538.52	542.45	132.39	535.20	535.20	467.99	535.20	535.20	535.20	535.21	535.20	6,156.80
SW-Rent Bldg/PP-A&G	728.64	538.52	542.45	132.39	535.20	535.20	467.99	535.20	535.20	535.20	535.21	535.20	6,156.80
19.1 OM LEASES-Equip	94.53	351.28	357.06	432.88	432.88	218.86	580.55	14.71	48.45	64.32	219.56	14.29	2,396.49
SW-Rent Equip-A&G	94.53	351.28	357.06	432.88	432.88	218.86	580.55	14.71	48.45	64.32	219.56	14.29	2,396.49
20 OM SUPPLIES	646.81	1,076.12	1,040.02	514.44	1,841.80	2,148.69	176.16	2,340.15	661.79	187.83	1,860.04	2,853.36	15,347.21
SW-Mat&Sup-A&G	172.85	589.89	1,040.02	514.44	1,841.80	2,148.69	176.16	1,862.51	661.79	187.83	1,860.04	2,853.36	15,347.21
SW-Mat&Sup-T&D Oper	473.96	486.23						477.64			1,293.46		1,293.46
WT-Mat&Sup-A & G	1,359.43	1,156.20	1,572.71	1,082.63	1,071.81	1,184.77	1,774.68	1,454.10	1,536.55	1,454.70	1,308.03	2,236.75	17,192.36
SW-Trans-&D OP-Lease	1,359.43	1,156.20	1,572.71	1,082.63	1,071.81	1,184.77	1,774.68	1,454.10	1,536.55	1,454.70	1,308.03	2,236.75	17,192.36
21.2 OM TRANS-Fuel/Diesel	121.51	94.37	140.81	127.56	96.02	43.81	44.00	58.24	74.80	18.20	2.66	83.49	905.47
SW-Trans-&D OP-Diesel	121.51	94.37	140.81	127.56	96.02	43.81	44.00	58.24	74.80	18.20	2.66	83.49	905.47
21.2 OM TRANS-Fuel/Gasoline	1,060.62	1,161.16	1,535.78	1,170.42	1,271.04	1,432.02	1,371.62	1,062.85	1,097.00	1,293.02	1,120.78	1,489.39	14,765.70
SW-Trans-&D OP Gasoline	1,060.62	1,161.16	1,535.78	1,170.42	1,271.04	1,432.02	1,371.62	1,062.85	1,097.00	1,293.02	1,120.78	1,489.39	14,765.70
21.3 OM TRANS-Other	620.64	331.55	603.10	644.55	320.88	371.23	346.07	205.03	269.19	721.95	322.84	407.28	5,164.31
SW-Trans-&D Oper	620.64	331.55	603.10	644.55	320.88	371.23	346.07	205.03	269.19	721.95	322.84	407.28	5,164.31

AQUA TEXAS RATE APPLICATION - NORTH REGION-TY 12/31/2010  
 WP-Sewer Income Statement

**NORTH SEWER INCOME STATEMENT USED FOR ALLOCATIONS**

ACCT UNIT	1	2	3	4	5	6	7	8	9	10	11	12	Grand Total
<b>MONTH</b>	<b>1,320.73</b>	<b>1,367.28</b>	<b>1,261.79</b>	<b>1,158.95</b>	<b>1,266.48</b>	<b>1,158.95</b>	<b>1,269.38</b>	<b>1,227.71</b>	<b>1,213.23</b>	<b>1,207.44</b>	<b>1,225.02</b>	<b>1,219.84</b>	<b>14,896.80</b>
SW-Ins-Gen Lib-A&G	916.59	916.59	1,308.39	947.18	947.18	947.18	947.18	947.18	947.18	947.18	947.18	947.18	11,666.19
SW-Ins-Other-A&G	149.81	149.81	149.81	149.81	149.81	149.81	149.81	149.81	149.81	149.81	149.81	149.81	1,797.72
SW-Ins-Vehicle-A&G	61.96	61.96	62.33	61.96	61.96	61.96	61.96	61.96	61.96	61.96	61.96	61.96	743.37
SW-Ins-Work Comp-A&G	192.37	238.92	(258.74)	107.53	107.53	110.95	48.49	66.07	54.28	48.49	66.07	60.89	689.52
23 OM BAD DEBT	2,828.79	1,574.34	2,819.84	453.80	3,846.37	3,846.37	1,196.57	4,435.64	595.95	2,515.37	5,390.78	3,048.46	31,920.82
SW-Rtd Debt Exp-Cust Accts	2,828.79	1,574.34	2,819.84	453.80	3,214.91	3,214.91	1,196.57	4,435.64	595.95	2,515.37	5,390.78	3,048.46	31,920.82
24.3 OM OTHER-Communications	173.02	134.32	147.70	32.50	149.72	109.83	235.83	188.83	193.13	190.79	188.88	64.43	1,808.98
SW-Misc-A&G-COMM EXP	173.02	134.32	147.70	32.50	149.72	109.83	235.83	188.83	193.13	190.79	188.88	64.43	1,808.98
24.4 OM OTHER-T & E					224.37								224.37
WT-Misc-A&G-TRV					20.00								20.00
WT-Misc-A&G-TRV-HOTEL					204.37								204.37
24.5 OM OTHER-Lic/Permits	138.55	117.19	349.40	248.76	186.91	303.06	86.92	187.27	101.15	227.36	187.27	31.60	1,978.17
SW-Misc-A&G-Office Supplies	63.19	25.76	68.71	28.63	134.34	128.90	18.07	18.07	42.75	61.52	73.57	26.71	672.05
SW-Misc-A&G-Utilities	75.36	91.93	15.54	50.82	52.57	174.16	68.85	68.85	58.40	133.51	113.30	4.89	839.33
WT-Misc-A&G-Office Supplies			91.63		169.31					32.33			375.16
WT-Misc-A&G-Utilities			14.23							9.75			91.63
24.7 OM OTHER-Lic/Permits	1,397.00	1,040.00	1,040.00	1,040.00	1,040.00	1,040.00	1,376.00	1,151.00	1,040.00	1,040.00	1,040.00	1,040.00	13,284.00
SW-Misc-A&G-LC&PER	1,397.00	1,040.00	1,040.00	1,040.00	1,040.00	1,040.00	1,376.00	1,151.00	1,040.00	1,040.00	1,040.00	1,040.00	13,284.00
24.8 OM OTHER-Mail/Postage	117.35	8.46	14.23						10.83	9.75	11.33	11.57	183.52
SW-Misc-A&G-MAIL&POST	117.35	8.46	14.23						10.83	9.75	11.33	11.57	183.52
24.85 OM OTHER-Uniforms	408.81	331.31	97.66	165.74	228.29	172.62	294.38	363.86	58.42	390.78	93.28	160.19	2,765.34
SW-Misc-A&G-UNIFORMS	408.81	331.31	97.66	165.74	228.29	172.62	294.38	363.86	58.42	390.78	93.28	160.19	2,765.34
25 NON-OPER EXP													(66,241.72)
Misc-NonOpLExp-OTHER													(66,241.72)
26 AMORTIZATION	15,248.97	15,606.01	15,702.10	16,088.76	15,960.15	16,240.83	16,296.50	16,371.04	14,571.82	13,445.56	13,104.95	13,357.35	181,996.04
Amort Regulatory Debts	12,184.47	12,469.76	12,546.55	12,855.51	12,752.74	12,977.00	13,023.08	13,081.05	13,125.10	13,445.56	13,104.95	13,357.35	154,923.12
SW-Reg Com-Amort Rate Case-A&G	3,064.50	3,136.25	3,155.55	3,233.25	3,207.41	3,263.83	3,275.42	3,289.99	1,446.72	1,446.72	1,446.72	1,446.72	27,072.92
27 DEPRECIATION	21,699.93	21,699.93	21,788.46	21,830.93	21,869.00	21,911.04	22,051.97	22,078.50	22,048.64	22,067.04	22,095.24	21,671.50	262,792.18
Deprec Exp-Utility Plant-SWR	21,699.93	21,699.93	21,788.46	21,830.93	21,869.00	21,911.04	22,051.97	22,078.50	22,048.64	22,067.04	22,095.24	21,671.50	262,792.18
27.5 AMORTIZATION - CIAC	(4,929.32)	(4,929.32)	(4,929.32)	(4,929.32)	(4,929.32)	(4,929.32)	(5,003.11)	(5,016.11)	(5,025.86)	(5,025.86)	(5,025.86)	(5,025.86)	(59,694.75)
Amort-CIAC-SWR	(4,929.32)	(4,929.32)	(4,929.32)	(4,929.32)	(4,929.32)	(4,929.32)	(5,003.11)	(5,016.11)	(5,025.86)	(5,025.86)	(5,025.86)	(5,025.86)	(59,694.75)
28.1 OTHER TAXES-Pumping Fees	4,384.82	4,384.82											4,384.82
Assessment-Pumping Fees	4,384.82	4,384.82											4,384.82
28.2 OTHER TAXES-Property Taxes	1,991.31	1,991.31	1,991.31	2,344.05	2,083.42	2,083.42	2,064.80	2,083.42	2,083.42	2,083.42	2,083.42	2,083.42	24,966.72
Property Taxes	1,991.31	1,991.31	1,991.31	2,344.05	2,083.42	2,083.42	2,064.80	2,083.42	2,083.42	2,083.42	2,083.42	2,083.42	24,966.72
28.3 OTHER TAXES-Payroll Taxes	1,063.38	1,086.61	834.52	806.90	994.26	704.36	587.92	726.83	609.46	883.71	714.27	690.21	9,648.43
Payroll Taxes-FICA	698.66	760.98	693.57	748.23	992.61	706.19	589.80	725.65	605.57	883.06	705.71	623.34	8,733.37
Payroll Taxes-FUTA	71.88	55.36	13.37	6.23	(1.57)	(1.02)	(0.93)	(0.86)	0.06	(0.27)	0.80	0.13	143.18
Payroll Taxes-SUTA	292.84	270.27	127.58	52.44	3.22	(0.81)	(0.95)	2.04	3.83	6.92	7.76	6.74	771.88
40.4 INTEREST EXP-Cust Dep	11.64		56.74	12.33	29.67	24.83	20.42	21.38	17.13	53.57	21.79	37.16	306.66

### Attachment 3

## CONSOLIDATION OF AQUA TEXAS NORTH REGION SYSTEMS

### I. Introduction

Since the passage of SB 1 in 1997, the Texas Legislature has strongly encouraged regionalization of water utilities. Among other places, the Legislature's promotion of regionalization is found in TEX. WATER CODE § 13.182(d), which provides:

The Commission by rule shall establish a preference that rates under a consolidated tariff be consolidated by region. The regions under consolidated tariffs must be determined on a case-by-case basis.

TEX. WATER CODE §13.182(d).

The Texas Water Code also provides:

- (a) A utility may consolidate more than one system under a single tariff only if:
  - (1) the systems under the tariff are substantially similar in terms of facilities, quality of service, and cost of service; and
  - (2) the tariff provides for rates that promote water conservation for single-family residences and landscape irrigation.

TEX. WATER CODE §13.145(a).

To further promote regional rates, the TCEQ has adopted a rule requiring regional rates as follows:

- (n) Regional rates. The commission, where practicable, shall consolidate the rates by region for applications submitted with a consolidated tariff and rate design for more than one system.

30 TEX. ADMIN CODE § 291.21(n).

Additionally in January 2003, the TCEQ issued RG-357: The Feasibility of Regionalizing Water and Wastewater Utilities: A TCEQ Policy Statement. RG-357 is the TCEQ's basic policy statement explaining the benefits of regionalization.

In Aqua Texas' last rate case, the TCEQ determined that Aqua Texas' Southwest Region systems were substantially similar in terms of facilities, quality of service, and cost of service and appropriate for consolidation under a regional water tariff. *See In re Application of Aqua Utilities, Inc. and Aqua Development Company d/b/a Aqua Texas, Inc. to Change Water and Sewer Rates; TCEQ Docket Nos. 2004-1671-UCR and 2004-1120-UCR; SOAH Docket Nos.*



582-05-2770 and 582-05-2771, Final Order and Proposal for Decision.<sup>1</sup> Aqua Texas proposes rates in this Water Rate/Tariff Change Application (“Rate Application”) with 0 gallons included in the monthly minimum just like those approved in its last rate case. Aqua Texas is also proposing inclining block rates in this Rate Application. Both aspects of Aqua Texas’ rate design promote water conservation for single-family residences and landscape irrigation.

Both the Texas Legislature and the Commission have expressed a strong preference for regionalization and the benefits of same were extensively analyzed in Aqua Texas’ last rate case. *Id.* To further Aqua Texas’ efforts to regionalize its systems, Aqua Texas proposes a consolidated, regional water rate tariff for its Southwest Region that includes the following water systems that were not included in the Final Order and Proposal for Decision from the last rate case.

PWS Number	System Name
1110079	Blue Water Shores
0370052	Eagles Bluff
1160028	Holiday Estates Water
1110078	Lakeside Hills
1110076	River Run Subdivision
1840130	Saddle Club Estates
0370052	Shell Shores/Cedar Bay
0610218	Spring Hill Estates
0610220	Stony Hills
1550085	T&A Water System
1550113	V L S

Applying the standards set forth by the Commission in Aqua Texas’ last rate case, these systems are substantially similar to Aqua Texas’ other Southwest Region water systems in terms of facilities, quality of service, and cost of service.

**II. Substantially Similar Facilities**

The systems proposed for consolidation have substantially similar facilities as other Aqua Texas Southwest Region water systems. The systems are operated by the same Aqua Texas Southwest Region personnel as other Southwest Region water systems, their sources of water are substantially similar to other Southwest Region water systems, the components of each system are substantially similar to other Southwest Region water systems, the type of piping used by each system is substantially similar to other Southwest Region water systems, the design and construction of the systems are substantially similar to other Southwest Region water systems, and the types of customers served are substantially similar to that of other Southwest Region water systems. These systems are generally substantially similar and of the same type as other Southwest Region water systems. For these reasons, and others, these systems are substantially similar to Aqua Texas’ other Southwest Region water systems in terms of facilities.

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<sup>1</sup> Copies of the Final Order and Proposal for Decision are posted on Aqua America’s website.

### **III. Substantially Similar Quality of Service**

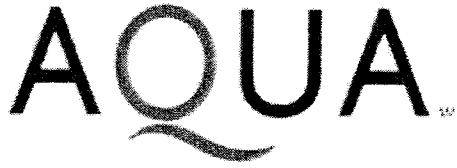
The systems proposed for consolidation offer substantially similar quality of service as other Aqua Texas Southwest Region water systems. All use state-approved technologies and facilities. All provide service and water treatment, or are being brought into compliance with a level of service and treatment, that achieves TCEQ and EPA drinking water standards. For these reasons, and others, these systems are substantially similar to Aqua Texas' other Southwest Region water systems in terms of quality of service.

### **IV. Substantially Similar Cost**

The systems proposed for consolidation have substantially similar cost of service as other Aqua Texas Southwest Region water systems. All systems share operations and maintenance costs that are either identical or at least substantially similar on a per customer basis as other Aqua Texas Southwest Region water systems. The costs of these systems within the Southwest Region are affected by the same intra-regional similarities such as regional hydrology, geology and similar intra-regional regulatory requirements, as other Southwest Region water systems. The capital components of these systems are substantially similar to other Southwest Region water systems, resulting in substantially similar repair and replacement costs over the life of those components on a per customer basis. In Aqua Texas' last rate case, the Commission rejected a "snapshot" approach to analyzing this issue in favor of assessing cost of service over time. For these reasons, and others, these systems are substantially similar to Aqua Texas' other Southwest Region water systems in terms of cost of service.

### **V. Conclusion**

For all these reasons, the water systems proposed for regional consolidation in this Rate Application meet the criteria set forth in TEX. WATER CODE §§ 13.182(d) and 13.145(a) and 30 TEX. ADMIN CODE § 291.21(n). Approving consolidation of these systems with Aqua Texas' other Southwest Region systems will further promote the benefits of regionalized utilities as is the favored approach in Texas.



**APPLICATION FOR  
A RATE/TARIFF  
CHANGE**

**Aqua Texas, Inc., Aqua Utilities, Inc.,  
Aqua Development, Inc., Kerville South  
Water Company, Inc., & Harper Water  
Company, Inc., DBA Aqua Texas**

**NORTH REGION WATER ONLY  
And  
SOUTHWEST REGION WATER ONLY**

**VOLUME 2**

**December 2011**





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**Attachment 1**  
**RATE APPLICATION OVERVIEW**  
**Aqua Texas**  
**Southwest Texas Region**

**Overview**

This Application requests a Rate/Tariff Change ("Rate Application") for Aqua Texas' water utility operations in its Southwest Texas Region, which consists of about 13,731 active water customer connections in 17 counties throughout Southwest Texas. This is Aqua Texas' first application for a rate increase in the Southwest Region since May 2004. The Rate Application has been filed with the Texas Commission on Environmental Quality ("TCEQ") and with the 5 cities in the Southwest Region in which Aqua Texas provides water utility service. The current and proposed rates can be found in the Notice section of this Application. Because this Rate Application is for water utility services only, it does not impact Aqua Texas' wastewater customers.

**I. Investments and Improvements to Aqua Texas Water Systems in the Southwest Region Since 2004**

Since Aqua Texas' last rate application in 2004, the company has invested over \$31 million dollars in improvements to water systems throughout the Southwest Region. Most of that amount was spent on capital improvements, such as wells, treatment plants, and water mains, to improve water quality, service and reliability for customers throughout Southwest Texas and to continue meeting increasingly stringent state and federal environmental standards. This Rate Application will allow Aqua Texas to recover approximately \$31.7 million in invested capital. The Rate Application will also include increases in operating costs that have occurred over the past seven years. The Rate Application seeks an overall Southwest Region rate increase of approximately \$3.38 million per year. The capital investments and improvements outlined above account for about 100% of the rate increase.

**II. Regionalization, Rate Design and Bill Impacts**

In 2008, the TCEQ issued a Final Order from the last rate case approving Aqua Texas' 2004 rate application. The 2008 TCEQ Final Order approved a regional approach to utility rates and services. Among other things, the TCEQ determined that a regional approach to utility rates and services provides important benefits such as economies of scale and cost savings that result in better, more efficient customer service. Aqua Texas has followed the TCEQ's regional approach in this Rate Application.

In the 2008 Final Order, the TCEQ also approved two surcharges totaling \$12.44. These surcharges were ordered by the TCEQ to allow Aqua Texas to recover certain deferred expenses. The larger of the two surcharges, which was \$9.94 per month, recovered utility operating expenses that were deferred during the last rate case to prevent customers from having a large rate increase all at once. If those expenses had not been deferred, they would have been included in Aqua Texas' base rate. The \$9.94 surcharge was eliminated from customer bills earlier this year. The second surcharge, which was \$2.50 per month, was eliminated from customer bills

over a year ago. Thus, for close to a year, Aqua Texas customer bills have not included surcharges totaling \$12.44 that were approved in its last rate case and collected over a two-year period.

In this Rate Application, Aqua Texas proposes to increase the “base” rate (the basic monthly minimum charge) for most<sup>1</sup> Southwest Region customers by \$9.39. Customers will pay approximately \$3.05 per month less in monthly charges (excluding volumetric usage charges that vary by customer usage) than they paid during the two years of surcharges. Aqua Texas also proposes to increase the overall charges per 1,000 gallons by approximately \$0.50 in part for increases in purchased water and pumping fees and to encourage water conservation.

Aqua Texas is proposing a new rate design which divides the charges per 1,000 gallons used (*i.e.* the volumetric rates) into two separate charges. The proposed charges per 1,000 gallons used will consist of a Gallonage Charge and a separate Regional Pass-Through Gallonage Charge of \$1.088. The Regional Pass-Through Gallonage Charge will allow recovery of certain types of mandatory costs incurred by Aqua Texas, such as purchased water charges or groundwater assessment fees that are assessed by governmental authorities or other third-parties. Aqua Texas will pass those costs and future increases to those costs through directly to the customer. The other Gallonage Charge, along with Aqua Texas’ base rate, will serve to recover costs incurred by Aqua Texas not covered by the Regional Pass-Through Gallonage Charge. This rate design provides rate transparency so that the customer can easily determine the basis for any rate increase.

### **III. Rate Application Issues**

This Rate Application includes certain issues that are unique to the Southwest Region. To assist the TCEQ and Aqua Texas’ customers in understanding this Rate Application, Aqua Texas is providing additional information and explanation beyond what is required in the TCEQ’s application form. Below is a brief discussion and explanation of those issues.

#### **A. Normalization of Water Usage**

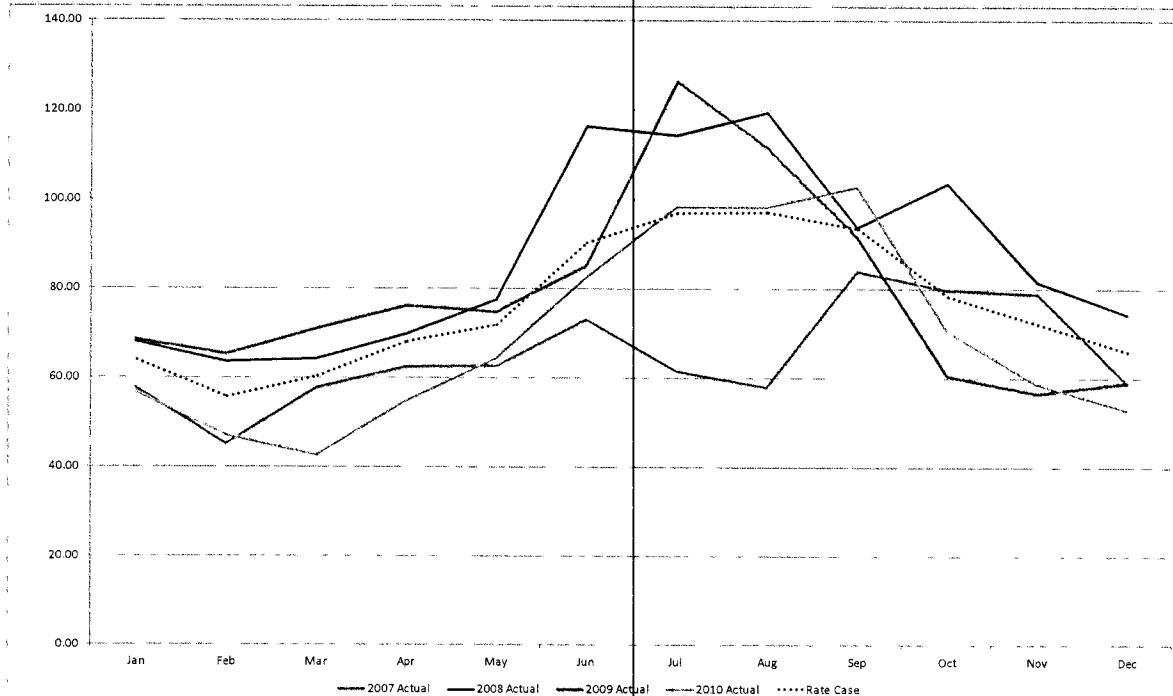
In recent years, Aqua Texas’ Southwest Region has seen substantial variation in water use due to extreme weather patterns. At one end of the spectrum, 2007 was a very wet year and generally resulted in water sales that were lower than normal. At the other end of the spectrum, 2009 was extraordinarily hot and dry, which generally resulted in water sales that were higher than normal. This Rate Application uses “normalization” to smooth out the extremes that have been experienced in recent years to create a more consistent and accurate calculation of “normal water usage”. This practice of normalization to account for weather fluctuations is routinely used in electric and gas rate cases before the Public Utility Commission of Texas and the Texas Railroad Commission and is customary in a number of other jurisdictions across the country as well. The dotted black line below demonstrates the average normalized volumetric usage per

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<sup>1</sup> About 21 systems/service areas located in Aqua Texas’ Southwest Region and affected by this Rate Application are subject to rates and tariffs that are different than the rest of the Southwest Region. In line with Aqua Texas’ regional approach to rates, the Rate Application seeks rates and tariff provisions that will apply to nearly all Aqua Texas’ Southwest Region systems. The Notice provides specific bill comparisons that show the rate impact customers served by each of Aqua Texas’ acquired systems may expect in addition to the bill comparison provided for the rest of Aqua Texas’ affected Southwest Region customers.

customer proposed in this Rate Application which reflects the average of actual usage per customer during 2007, 2008, 2009, and 2010.

**Aqua Texas Southwest Region Average Usage Per Customer (2007 - 2010) vs. Rate Case Average Usage Per Customer**



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007 Actual	57.59	44.93	57.69	62.38	62.47	72.97	61.46	57.93	83.94	79.64	78.80	58.75
2008 Actual	68.06	63.58	64.43	69.81	77.69	116.51	114.46	119.74	93.89	103.90	81.58	74.25
2009 Actual	68.52	65.29	71.07	76.02	74.72	85.28	126.49	111.56	91.67	60.48	56.48	59.09
2010 Actual	56.89	47.04	42.58	54.87	64.33	82.58	98.34	98.25	102.88	70.55	58.63	52.79
Rate Case	63.55	55.58	60.13	67.74	71.60	90.02	96.56	97.00	93.16	77.97	71.84	65.67

**B. Use of NARUC Accounts**

TCEQ rules provide that a Class A Utility (a utility with annual operating revenues exceeding \$750,000.00) is authorized to keep its books and records according to the National Association of Regulatory Utility Commissioners (“NARUC”) chart of accounts. *See* 30 TEX. ADMIN. CODE §291.72. Aqua Texas’ books and records have been maintained in accordance with the NARUC chart of accounts in accordance with that approved methodology. However, Aqua Texas has presented most of its accounting information in this Rate Application in a manner that accommodates TCEQ’s application form. The TCEQ application form does not fully track the NARUC chart of accounts system. With the exception of plant accounts, the work papers presented in this Rate Application will assist in reconciling the amounts presented in this Rate Application with Aqua Texas’ books and records for the test year period (January 1, 2010 to December 31, 2010). In contrast, plant accounts are presented in summary form according to the NARUC chart of accounts.

Aqua Texas is also submitting a depreciation study with its Rate Application. The study complies with the recently adopted requirements found in 30 TEX. ADMIN. CODE §291.31(c)(2)(B)(i)(II) and supports Aqua Texas’ use of group depreciation in conformance with NARUC accounting practices.

**C. Aqua Texas' Request for an 8.59% Weighted Rate of Return**

The TCEQ's 2008 Final Order approved a weighted rate of return of 8.44% for Aqua Texas. This Rate Application seeks essentially the same return – a weighted rate of return of 8.59% – that the Commission approved in 2008. This relatively low weighted rate of return reflects Aqua Texas' ability to utilize Aqua America's low interest rates for debt. The benefit of those low interest rates is then passed along to Aqua Texas' customers.

The 8.59% weighted rate of return in this Rate Application reflects the same return on equity as the TCEQ approved in 2008 and a slightly higher cost of debt compared to the last rate application. Attachment 4 is an analysis of Aqua Texas' cost of capital and supports a rate of return on equity of approximately 12%. The analysis reflected in Attachment 4 has been conducted in a manner that is consistent with Texas utility regulations and with regulations in other jurisdictions where Aqua America operates. Notwithstanding the analysis in Attachment 4 supporting a return on equity in excess of 12%, Aqua Texas has applied for the same return on equity that the Commission recently approved in 2008.

**D. Acquired Systems**

Several Southwest Region Aqua Texas systems were acquired since Aqua Texas' last rate case. **Aqua Texas is not requesting recovery of acquisition adjustment amounts in this Rate Application.** Instead, in line with the Texas Water Code and TCEQ rules, Aqua Texas has booked the acquired system assets at their original cost when first committed to public service. If original cost records were not available, Aqua Texas used trended original cost studies. These types of studies have been reviewed and accepted by the TCEQ in past rate matters. Consolidation of the acquired systems into Aqua Texas' regional tariff for rate-setting purposes is addressed in Attachment 3.

**E. Other Systems**

Aqua Texas has not included in this Rate Application the London and Harper systems, purchased from LCRA. Pursuant to the agreement between Aqua Texas and LCRA and approved by the TCEQ, the Company cannot increase the rates of these systems until sometime in late 2012. The London and Harper systems are included in the rate calculation since they are part of the Southwest Region; however, they will not receive a rate increase at this time. Additionally, Aqua Texas has not included the Dancing Bear water system located in Medina County in this Rate Application. That system was recently acquired in September 2011 and was not operated by Aqua Texas during the test year. In the future, Aqua Texas may file a separate rate/tariff change application affecting these systems, but not as part of this Rate Application.

Aqua Texas also notes that it has certain systems geographically located in proximity to its Southwest Region that are operated as a separate Ingram rate region in accordance with Aqua Texas' last rate case. Aqua Texas does not seek a rate/tariff change in this Rate Application for those systems.



#### **IV. Miscellaneous Revisions to Current Tariff Service Provisions**

Aqua Texas is proposing a few minor revisions to current tariff service provisions approved in its last rate case. The revisions are presented in a document included with the Application, which compares the proposed tariff with Aqua Texas' current tariff. The changes to the existing tariff are denoted in the colored text.

On pages 17 and 22 Aqua Texas proposes language to further clarify its current service policy that its standard retail water utility service does not include water supply for fire prevention, fire flow, or fire protection. On page 22, Aqua Texas is proposing alternative language to its current "Specific Utility Extension Policy" related to sanitary control that may impact developers submitting service extension requests, but not other types of service extension requests. On page 17, Aqua Texas is proposing an "act of God" exception to its policy of prorating bills for lost service in the event of a service interruption or serious impairment. On page 7, Aqua Texas is proposing language to address additional methods of payment. On pages 14 and 15, Aqua Texas is proposing language to specify policies with respect to electronic billing and payment. Aqua Texas is also proposing other minor revisions to reflect Aqua Texas service policies and to correct typographical and formatting errors that appear in its current tariff.

#### **V. Request for Southwest Region Water Rate Base Determination**

Finally, Aqua Texas was instructed by TCEQ staff to specifically request that TCEQ determine its rate base amount during its review of this application, if desired. Aqua Texas hereby requests a Southwest Region water rate base determination by TCEQ as part of this application.

AQUA TEXAS STATE APPLICATION - SOUTHWEST REGION-TY 12/31/2010  
 WP-Notes & Own Eq

AQUA TEXAS, INC.  
 LONG TERM DEBT - YTD  
 12/31/2010

ISSUER NAME	SER	% RATE	ISSUE DATE	MATURE DATE	ORIGINAL AMOUNT	TOTAL LTD INCLUDING CURRENT PORTION @ 12/31/2010		2010 YTD		TOTAL LTD INCLUDING CURRENT PORTION @ 12/31/2010	CURRENT PORTION OF LTD @ 12/31/2010	NET LTD EXCLUDING CURRENT PORTION @ 12/31/2010	UNAMORTIZED DEBT	ANNUAL AMORT
						NEW ISSUES	REPAYMENTS	OTHER						
Note - Unsecured		4.87%	7/13/03	7/31/10	\$10,046,456	\$10,046,456	\$0	\$0	\$0	\$10,046,456	\$0	\$10,046,456	\$0	\$0
Note - Unsecured		4.87%	7/13/03	7/31/13	\$8,037,164	\$8,037,164	\$0	\$0	\$0	\$8,037,164	\$0	\$8,037,164	\$0	\$0
Note - Unsecured		4.87%	7/13/03	7/31/14	\$10,046,456	\$10,046,456	\$0	\$0	\$0	\$10,046,456	\$0	\$10,046,456	\$0	\$0
Note - Unsecured		4.87%	7/13/03	7/31/16	\$4,018,582	\$4,018,582	\$0	\$0	\$0	\$4,018,582	\$0	\$4,018,582	\$0	\$0
Note - Unsecured		4.87%	7/13/03	7/31/17	\$4,018,582	\$4,018,582	\$0	\$0	\$0	\$4,018,582	\$0	\$4,018,582	\$0	\$0
Note - Unsecured		4.87%	7/13/03	7/31/18	\$4,018,582	\$4,018,582	\$0	\$0	\$0	\$4,018,582	\$0	\$4,018,582	\$0	\$0
Note - Unsecured		4.87%	7/13/03	7/31/20	\$6,027,873	\$6,027,873	\$0	\$0	\$0	\$6,027,873	\$0	\$6,027,873	\$0	\$0
Note - Unsecured		4.87%	7/13/03	7/31/23	\$4,018,582	\$4,018,582	\$0	\$0	\$0	\$4,018,582	\$0	\$4,018,582	\$0	\$0
Note-TIAA/CREF		5.01%	2/3/05	2/3/15	\$6,697,637	\$3,284,981	\$0	\$2	\$0	\$3,284,981	\$0	\$3,284,981	\$0	\$0
Note-TIAA/CREF		5.20%	2/3/05	2/3/20	\$4,465,091	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Note-Northwestern Mutual		5.54%	12/28/06	12/31/13	\$3,794,317	\$3,794,317	\$0	\$0	\$0	\$3,794,317	\$0	\$3,794,317	\$0	\$0
Note-Northwestern Mutual		5.54%	12/28/06	12/31/17	\$3,794,317	\$3,794,317	\$0	\$0	\$0	\$3,794,317	\$0	\$3,794,317	\$0	\$0
Note-Northwestern Mutual		5.54%	12/28/06	12/31/18	\$3,794,317	\$3,794,317	\$0	\$0	\$0	\$3,794,317	\$0	\$3,794,317	\$0	\$0
Note-Northwestern Mutual		5.63%	2/28/07	2/28/22	\$5,581,364	\$5,581,364	\$0	\$0	\$0	\$5,581,364	\$0	\$5,581,364	\$0	\$0
Note-Northwestern Mutual		5.83%	2/28/07	2/28/37	\$5,581,364	\$5,581,364	\$0	\$0	\$0	\$5,581,364	\$0	\$5,581,364	\$0	\$0
North Channel Water Authority		4.16% - 5.86%	1/0/00	1/0/00	\$10,420,285	\$10,116,986	\$2	\$96,484	\$0	\$10,020,502	\$409,893	\$9,610,609	\$0	\$0
<b>TOTALS</b>					\$94,360,969	\$86,179,925	\$0	\$96,484	\$0	\$86,083,439	\$409,893	\$85,673,546	\$0	\$0

Owners Equity

Total

\$88,097,993



AQUA TEXAS RATE APPLICATION -SOUTHWEST REGION-TY 12/31/2010

WP-M&S-Prepays

M&S and Prepayments

M&S Inventories

151000 Plant Materials and Supplies	\$53,392
151010 Plant Materials - Meters	\$86,041
Total M&S	<u>\$139,433</u>

Prepays

162000 Prepaid	\$293,611
162080 Prepaid Rent	\$9,070
162170 Prepaid AWWA Dues	\$333
Total Prepaid	<u>\$303,014</u>

**AQUA TEXAS RATE APPLICATION -SOUTHWEST REGION-TY 12/31/2010**

**WP-Non Rev Water**

PARAMETER	QUANTITY
<b><u>WATER</u></b>	
Total Water Production incl. Purchased water (1,000 Gallons)	1,605,998
Total Water Sold (1,000 Gallons)	1,172,488
Total Water - Flushing - Estimated (1,000 Gallons)	200,000
Total Water - Leakage - Estimated at 3% (1,000 Gallons)	48,180
Total Water - Stolen - Estimated at 2% (1,000 Gallons)	32,120
Total Water Distributed (1,000 Gallons)	1,452,788
Total Water Loss (1,000 Gallons)	153,209
Percentage of Water Accountabilty (%)	90.46%
Percentage of Water Loss (%)	9.54%

<b>Produced</b>	1,358,768,600
<b>Purchased</b>	247,229,000
<b>Flushed. Leaked and Stolen</b>	280,300
<b>Volumes Over 15%</b>	-
<b>Percent over 15%</b>	0.00%

AQUA TEXAS RATE APPLICATION -SOUTHWEST REGION-TY 12/31/2010

WP-Rev Req Summary

AQUA TEXAS SW REGION K&M REVENUE REQUIREMENT - WATER

	12/31/2010 Per Books As Adjusted	K&M Adjustments	As Adjusted K&M
<b><u>WATER</u></b>			
<b><u>Revenue Requirement</u></b>			
Salaries & Wages	\$942,844	\$62,980	\$1,005,824
Contract Labor	\$0	\$0	\$0
Purchased Water	\$949,277	(\$949,277)	\$0
Chemicals	\$114,951	\$45,220	\$160,171
Utilities	\$633,957	\$243,230	\$877,187
Repairs/Maintenance/Supplies	\$1,239,558	\$68,620	\$1,308,178
Office Expenses	\$717,432	\$41,269	\$758,701
Accounting & Legal Fees	\$88,474	\$0	\$88,474
Insurance	\$352,356	(\$13,055)	\$339,301
Rate Case Expense	\$188,607	(\$134,607)	\$54,000
Miscellaneous	\$893,483	(\$92,107)	\$801,376
Total O&M	\$5,120,939	(\$727,728)	\$5,393,211
Payroll Taxes	\$96,020	(\$8,956)	\$87,063
Property & Other Taxes	\$557,705	(\$204,717)	\$352,988
Annual Depreciation & Amortization	\$2,829,601	(\$1,309,029)	\$1,520,572
Total Expenses Before FIT & ROR	\$9,604,265	(\$2,250,430)	\$7,353,834
Income Taxes		\$1,489,810	\$1,489,810
Return		\$3,909,001	\$3,909,001
Total Revenue Requirements	\$9,604,265	\$3,148,381	\$12,752,645
Less: Total Other Revenues	\$239,066		\$239,066
Total Costs for Rates	<b>\$9,365,199</b>	<b>\$3,148,381</b>	<b>\$12,513,579</b>
Test Year Per Book Revenues			<b>\$10,334,058</b>
Increase			<b>21.09%</b>
<b><u>Rate Base</u></b>			
Plant	\$65,977,008		\$65,977,008
Accumulated Depreciation	(\$20,392,644)		(\$20,392,644)
Net plant	\$45,584,364		\$45,584,364
Net CIAC	(\$2,145,654)		(\$2,145,654)
CCNC	\$0	\$951,106	\$951,106
Working Capital	\$765,117	(\$90,966)	\$674,151
Materials & Supplies inventories	\$139,433		\$139,433
Prepayments	\$303,014		\$303,014
Total Rate Base	\$44,646,275	\$860,140	\$45,506,415
<b><u>Income tax</u></b>			
Return	8.59%	\$3,835,115	\$3,909,001
	2.51%	(\$1,120,621)	(\$1,142,211)
		\$2,714,494	\$2,766,790
Income Taxes	35.00%	\$950,073	\$968,377
		1,5385	1,5385
		\$1,461,650	\$1,489,810

**SW WATER TOTAL REVENUE REQUIREMENTS**

REVENUES	TEST YEAR PER BOOKS 12/31/2010 (a)	OUT OF PERIOD AND NORMALIZING ADJUSTMENTS (b)	AS ADJUSTED TEST YEAR PER BOOKS 12/31/2010 (c)	ADJUSTMENTS FOR K & M CHANGES (d)	AS ADJUSTED (e)	REFERENCE (f)
1 Metered Sales-Residential	(\$9,593,213)		(\$9,593,213)		(\$9,593,213)	
2 Metered Sales-Commercial	(\$739,346)		(\$739,346)		(\$739,346)	
3 Unmetered Rev-COMMERCIAL	(\$1,500)		(\$1,500)		(\$1,500)	
4 Misc Srv Rev	(\$239,066)		(\$239,066)		(\$239,066)	
5 Other Water Rev-Accrued Util	(\$46,368)	\$46,368	\$0		\$0	Reverse Accrual/Revenue Annualized
6 Other Water Rev-Franchise	(\$26,625)	\$26,625	\$0		\$0	Surcharge Only
7 Other Water Rev-Rate Case	(\$1,257,449)	\$1,257,449	\$0		\$0	Surcharge Only
8 Allow Funds Used During Const	(\$2,918)	\$2,918	\$0		\$0	Exclude for Rate Making Purposes
9 Total	(\$11,906,485)		(\$10,573,124)		(\$10,573,124)	
<b>SALARIES &amp; WAGES</b>						
10 WT-A & G Labor-Employ-Rg	\$321,062		\$321,062	\$69,194	\$390,257	WP-Adj1 - SW Water Payroll
11 WT-Cust Accts Labor-Employ-Rg	\$83,138		\$83,138	\$17,918	\$101,056	WP-Adj1 - SW Water Payroll
12 WT-Source Maint LBR-Employ-Rg	\$1,698		\$1,698	\$366	\$2,064	WP-Adj1 - SW Water Payroll
13 WT-Source Oper LBR-Employ-Rg	\$67,509		\$67,509	\$14,549	\$82,059	WP-Adj1 - SW Water Payroll
14 WT-T&D Maint LBR-Emp-Sys-GEN-Rg	\$4,056		\$4,056	\$11,650	\$65,706	WP-Adj1 - SW Water Payroll
15 WT-T&D Oper LBR-Emp-Sys-GEN-Rg	\$16,947		\$16,947	\$3,652	\$20,600	WP-Adj1 - SW Water Payroll
16 WT-WTRTRT Maint LBR-Employ-Rg	\$24,766		\$24,766	\$5,337	\$30,103	WP-Adj1 - SW Water Payroll
17 WT-WTRTRT Oper LBR-Employ-Rg	\$159,604		\$159,604	\$34,397	\$194,001	WP-Adj1 - SW Water Payroll
18 WT-A & G Labor-Employ-OT	\$9,066		\$9,066	(\$4,982)	\$4,085	WP-Adj1 - SW Water Payroll
19 WT-Cust Accts Labor-Employ-OT	\$11,887		\$11,887	(\$6,531)	\$5,355	WP-Adj1 - SW Water Payroll
20 WT-Source Maint LBR-Employ-OT	\$903		\$903	(\$496)	\$407	WP-Adj1 - SW Water Payroll
21 WT-Source Oper LBR-Employ-OT	\$37,030		\$37,030	(\$20,347)	\$16,683	WP-Adj1 - SW Water Payroll
22 WT-T&D Maint LBR-Emp-Sys-GEN-OT	\$21,442		\$21,442	(\$11,782)	\$9,660	WP-Adj1 - SW Water Payroll
23 WT-T&D Oper LBR-Emp-Sys-GEN-OT	\$5,910		\$5,910	(\$3,248)	\$2,663	WP-Adj1 - SW Water Payroll
24 WT-WTRTRT Maint LBR-Employ-OT	\$4,087		\$4,087	(\$2,246)	\$1,841	WP-Adj1 - SW Water Payroll
25 WT-WTRTRT Oper LBR-Employ-OT	\$93,752		\$93,752	(\$51,515)	\$42,237	WP-Adj1 - SW Water Payroll
26 WT-A & G Labor-Bonuses	\$29,985		\$29,985	\$7,063	\$37,049	WP-Adj1 - SW Water Payroll
27 Total	\$942,844		\$942,844	\$62,980	\$1,005,824	
<b>PURCHASED WATER</b>						
28 WT-Purchased Water	\$949,277		\$949,277	\$31,018	\$980,296	WP-Adj4 Purch Water
29 MOVE TO REGIONAL SURCHARGE				(\$980,296)	(\$980,296)	Move to Regional Surcharge
30 Total	\$949,277		\$949,277	\$0	\$0	
<b>CHEMICALS</b>						
31 WT-Chem-WTRTRT-OPER-GENERAL	\$113,083		\$113,083	\$44,485	\$157,568	WP-Adj5-Chem Exp Adj
32 WT-Chem-WTRTRT-OPER-POLYPHOSPH	\$1,868		\$1,868	\$735	\$2,603	WP-Adj5-Chem Exp Adj
33 Total	\$114,951		\$114,951	\$45,220	\$160,171	

AOUA TEXAS RATE APPLICATION -SOUTHWEST REGION-TY 12/31/2010  
W.P-SW Water

SW WATER TOTAL REVENUE REQUIREMENTS

	TEST YEAR PER BOOKS 12/31/2010 (a)	OUT OF PERIOD AND NORMALIZING ADJUSTMENTS (b)	AS ADJUSTED TEST YEAR PER BOOKS 12/31/2010 (c)	ADJUSTMENTS FOR K & M CHANGES (d)	AS ADJUSTED (e)	REFERENCE (f)
<b>UTILITIES</b>						
34	WT-Misc-A&G-Utilities	\$28,732			\$30,296	WP-Adj6-Purch Power
35	WT-Purchased Power-SOURCE OPER	\$605,225		\$1,565	\$846,890	WP-Adj6-Purch Power
36	Total	\$633,957		\$243,230	\$877,187	
<b>REPAIRS/MAINTENANCE/SUPPLIES</b>						
37	WT-Cont Serv-Eng-A & G	\$14,810			\$14,810	
38	WT-Cont Serv-Eng-T&D OPER	\$7,800			\$7,800	
39	WT-Cont Serv-Oth-A&G	\$2,118			\$2,118	
40	WT-Cont Serv-Oth-Build&Grounds	\$232,433			\$232,433	
41	WT-Cont Serv-Oth-Security	\$3,889			\$3,889	
42	WT-Cont Serv-Oth-Source MAINT	\$390,564			\$390,564	
43	WT-Cont Serv-Oth-Source OPER	\$130,234			\$130,234	
44	WT-Cont Serv-Oth-T&D OPER-Gen	\$72			\$72	
45	WT-Cont Serv-Oth-T&D OPER-Metr	\$91,553			\$91,553	
46	WT-Cont Serv-Testig-A & G	\$64,291			\$64,291	
47	WT-Cont Serv-Testig-WTRT OPER	\$44,876			\$44,876	
48	WT-Mat&Sup-T&D OPER-Gen	\$53,392			\$53,392	
49	WT-Mat&Sup-Source OPER	\$237			\$237	
50	WT-Mat&Sup-T&D MAINT-Gen	\$10			\$10	
51	WT-Misc-A&G	\$1,732			\$1,732	
52	WT-Rent Equip-T&D OPER	\$709			\$709	
53	WT-Trans-T&D MAINT	\$32,865			\$32,865	
54	WT-Trans-T&D OP-BACKHOE PART	\$152		\$11,585	\$44,450	WP-Ad7-Trans Exp
55	WT-Trans-T&D OP-CAR WASH TCK	\$6			\$152	
56	WT-Trans-T&D OP-CRASH	\$175		\$6	\$6	
57	WT-Trans-T&D OP-DIESEL	\$23,160		\$175	\$175	
58	WT-Trans-T&D OP-GASOLINE	\$71,869		\$17,720	\$40,879	WP-Ad7-Trans Exp
59	WT-Trans-T&D OP-LEASE	\$66,320		\$61,622	\$133,491	WP-Ad7-Trans Exp
60	WT-Trans-T&D OP-LICENSES	\$4,221		(\$22,306)	\$44,014	WP-Ad7-Trans Exp
61	WT-Trans-T&D OP-PARTS AUTO&MCH	\$211		\$211	\$4,221	
62	WT-Trans-T&D OP-TIRES	\$1,860		\$1,860	\$211	
63	Total	\$1,239,558		\$68,620	\$1,308,178	



AQUA TEXAS RATE APPLICATION -SOUTHWEST REGION-TY 12/31/2010  
 WT-SW Water

SW WATER TOTAL REVENUE REQUIREMENTS

	TEST YEAR PERIOD AND NORMALIZING ADJUSTMENTS		AS ADJUSTED PER BOOKS		ADJUSTMENTS FOR K & M CHANGES		AS ADJUSTED		REFERENCE
	(a)	(b)	(c)	(d)	(e)	(f)			
<b>OFFICE EXPENSES</b>									
64	\$4,840		\$4,840				\$4,840		
65	\$137,927		\$137,927		(\$2,101)		\$135,826	WP-Adj8-ACO Cust Billing	
66	\$13,797		\$13,797		(\$671)		\$13,126	WP-Adj8-ACO Cust Billing	
67	\$130,801		\$130,801		\$46,443		\$177,244	WP-Adj11 Rev Rel Exp-WP-Adj17 Bills & Vols Summary	
68	\$16,297		\$16,297				\$16,297		
69	\$6,148		\$6,148				\$6,148		
70	\$172,439		\$172,439				\$172,439		
71	\$69,955		\$69,955				\$69,955		
72	\$305		\$305				\$305		
73	\$3,802		\$3,802				\$3,802		
74	\$0		\$0				\$0		
75	\$1,652		\$1,652				\$1,652		
76	\$2,230		\$2,230				\$2,230		
77	\$19,523		\$19,523				\$19,523		
78	\$182		\$182				\$182		
79	\$35,094		\$35,094				\$35,094		
80	\$16,114		\$16,114				\$16,114		
81	\$20,156		\$20,156				\$20,156		
82	\$47,072		\$47,072		\$476		\$47,548	WP-Adj8-ACO Cust Billing	
83	\$19,098		\$19,098		(\$2,878)		\$16,220	WP-Adj8-ACO Cust Billing	
84	\$717,432		\$717,432		\$41,269		\$758,701		
<b>ACCOUNTING &amp; LEGAL FEES</b>									
85	\$21,953		\$21,953				\$21,953		
86	\$66,521		\$66,521				\$66,521		
87	\$88,474		\$88,474		\$0		\$88,474		
<b>INSURANCE</b>									
88	\$15,427		\$15,427		\$8,869		\$24,295	WP-Adj9 SW Benefits	
89	\$4,212		\$4,212				\$4,212		
90	\$2,352		\$2,352		\$5,434		\$7,785	WP-Adj9 SW Benefits	
91	\$247,682		\$247,682		\$121,316		\$368,998	WP-Adj9 SW Benefits	
92					(\$116,948)		(\$116,948)	WP-Adj10-Capiliz Benefits	
93	(\$33,842)		(\$33,842)		(\$29,095)		(\$62,937)	WP-Adj9 SW Benefits	
94	\$88,850		\$88,850		(\$5,271)		\$83,579	WP-Adj12-Insurance	
95	\$13,692		\$13,692		(\$1,759)		\$11,932	WP-Adj12-Insurance	
96	\$5,662		\$5,662		\$2,071		\$7,733	WP-Adj12-Insurance	
97	\$8,323		\$8,323		\$2,328		\$10,651	WP-Adj12-Insurance	
98	\$352,356		\$352,356		(\$13,055)		\$339,301		

AQUA TEXAS RATE APPLICATION -SOUTHWEST REGION-TY 12/31/2010  
 W.P.-SW Water

SW WATER TOTAL REVENUE REQUIREMENTS

RATE CASE EXPENSE		TEST YEAR PER BOOKS 12/31/2010	OUT OF PERIOD AND NORMALIZING ADJUSTMENTS	AS ADJUSTED TEST YEAR PER BOOKS 12/31/2010	ADJUSTMENTS FOR K & M CHANGES	AS ADJUSTED	REFERENCE
		(a)	(b)	(c)	(d)	(e)	(f)
99	WT-Reg Com-Amort Rate Case-A&G	\$188,607		\$188,607	(\$134,607)	\$54,000	WP-Adj13-Rate Case Exp
100	Total	\$188,607		\$188,607	(\$134,607)	\$54,000	
<b>MISCELLANEOUS</b>							
101	Misc NonUtil Exp-CHARIT CONTR	\$1,510		\$1,510	(\$92,107)	\$0	WP-Adj15-Other Adj
102	WT-Misc-A&G-Chamber Commerce	\$50		\$50	(\$1,510)	\$0	WP-Adj15-Other Adj
103	Misc NonUtil Exp-OTHER	\$6,491		\$6,491	(\$50)	\$0	WP-Adj15-Other Adj
104	WT-A&G Emp-BACKGROUND CHECKS	\$53		\$53	(\$6,491)	\$53	
105	WT-A&G Emp-EMPLOY X-MAS GIFTS	\$250		\$250	(\$250)	\$0	WP-Adj15-Other Adj
106	WT-A&G Emp-CONTRIB THRIFT PL	\$28,340		\$28,340	\$6,108	\$34,448	WP-Adj1 - SW Water Payroll
107	WT-A&G Emp-EDUCATION	\$7,427		\$7,427		\$7,427	
108	WT-A&G Advertising-A & G	\$1,100		\$1,100	(\$1,100)	\$0	WP-Adj15-Other Adj
109	WT-Cont Serv-Mgmt F.A & G	\$381,501	(\$64,367)	\$317,134	(\$4,765)	\$312,369	WP-TX Admin Inc Stimnt Detail
110	WT-Corp Mgmt Fees Only	\$291,998		\$291,998	(\$335)	\$291,662	WP-TX Admin Inc Stimnt Detail
111	WT-Region Mgmt Fees	\$14,343		\$14,343	(\$29,158)	\$85,397	WP-SW Admin
112	WT-Misc-A&G-Civic Org Events	\$52,530	\$100,212	\$52,530	(\$52,530)	\$0	WP-Adj15-Other Adj
113	WT-Misc-A&G-Claims	(\$339)		(\$339)		(\$339)	
114	WT-Misc-A&G-CONTRIB	\$1,500		\$1,500	(\$1,500)	\$0	WP-Adj15-Other Adj
115	WT-Misc-A&G-DUES	\$5,333		\$5,333		\$5,333	
116	WT-Misc-A&G-FINES&PENALTIES	\$525		\$525	(\$525)	\$0	WP-Adj15-Other Adj
117	WT-Misc-A&G-LIC&PER	\$37,687		\$37,687		\$37,687	
118	WT-Misc-A&G-MEALS 100% DED	\$1,270		\$1,270		\$1,270	
119	WT-Misc-A&G-MEALS 50% DED	\$570		\$570		\$570	
120	WT-Misc-A&G-TRV	\$87		\$87		\$87	
121	WT-Misc-A&G-TRV-Airplane	\$397		\$397		\$397	
122	WT-Misc-A&G-TRV-Auto Mile Reim	\$2,144		\$2,144		\$2,144	
123	WT-Misc-A&G-TRV-HOTEL	\$3,838		\$3,838		\$3,838	
124	WT-Misc-A&G-TRV-RENTAL CAR	\$46		\$46		\$46	
125	WT-Misc-A&G-UNIFORMS	\$18,986		\$18,986		\$18,986	
126	Total	\$857,638	\$35,846	\$893,483	(\$92,107)	\$801,376	
<b>PAYROLL TAXES</b>							
127	Payroll Taxes-FICA	\$86,964		\$86,964	(\$3,785)	\$83,179	WP-Adj3 SW Payroll Tax
128	Payroll Taxes-FUTA	\$1,433		\$1,433	(\$272)	\$1,161	WP-Adj3 SW Payroll Tax
129	Payroll Taxes-SUTA	\$7,623		\$7,623	(\$4,899)	\$2,724	WP-Adj3 SW Payroll Tax
130	Total	\$96,020	\$0	\$96,020	(\$8,956)	\$87,063	

AQUA TEXAS RATE APPLICATION -SOUTHWEST REGION-TY 12/31/2010  
 WP-SW 000100

SW WATER TOTAL REVENUE REQUIREMENTS

	TEST YEAR PER BOOKS 12/31/2010	OUT OF PERIOD AND NORMALIZING ADJUSTMENTS	AS ADJUSTED TEST YEAR PER BOOKS 12/31/2010	ADJUSTMENTS FOR K & M CHANGES	AS ADJUSTED	REFERENCE
	(a)	(b)	(c)	(d)	(e)	(f)
<b>OTHER TAXES</b>						
131	Assessment-Pumping Fees					
132	MOVE TO SURCHARGE	\$233,749	\$5,346	\$7,965	\$247,060	WP-Adj14 Pumping Fees Adj
133	Property Taxes	\$190,951		(\$247,060)	(\$247,060)	Move To Surcharge
134	State Income Tax	\$89,364		\$2,646	\$193,598	WP-Adj16-Pit Expenses
135	Other Taxes-Gross Receipts Tax	\$38,295		\$31,730	\$121,094	WP-Adj11 Rev Rel Exp-WP- Adj17 Bills & Vols Summary
136	Total	\$552,359	\$5,346	\$38,295	\$38,295	
			\$557,705	(\$204,717)	\$352,988	
<b>DEPRECIATION &amp; AMORTIZATION</b>						
137	Amort Regulatory Debits					
138	Amort-CIAC	\$1,067,684		\$1,067,684	\$0	WP-Adj15-Other Adj
139	Deferred Federal Income Taxes	(\$84,817)	\$84,817	\$0	\$0	WP-Adj15-Other Adj
140	Deprec Exp-Other Phy Prop	(\$21,622)	\$21,622	\$0	\$0	WP-Adj15-Other Adj
141	Deprec Exp-Utility Plant	\$557		\$557	\$557	
142	Total	\$1,761,360	\$106,439	\$1,761,360	\$1,520,015	WP-Plant Detail & WP-Adj16-Pit Expenses
		\$2,723,162	\$2,829,601	(\$241,346)	\$1,520,015	
143	Grand Total	\$9,456,634	\$147,631	(\$1,309,029)	\$1,520,572	
			\$9,604,265	(\$2,250,430)	\$7,353,834	

AQUA TEXAS RATE APPLICATION -SOUTH WEST REGION-TY 12/31/2010  
 WT-SW Admin

SW ADMIN TOTAL REVENUE REQUIREMENTS

	(a)	(b)	(c)	(d)	(e)	(f)
	TEST YEAR PER BOOKS 12/31/2010	OUT OF PERIOD AND NORMALIZING ADJUSTMENTS	AS ADJUSTED TEST YEAR PER BOOKS 12/31/2010	ADJUSTMENTS FOR K & M CHANGES	AS ADJUSTED	REFERENCE
<b>SALARIES &amp; WAGES</b>						
1	WT-A & G Labor-Employ-Rg	\$50,810	\$50,810	(\$363)	\$50,447	WP-Adj2 SW Admin
2	WT-Cust Accts Labor-Employ-Rg	\$30,811	\$30,811	(\$220)	\$30,590	WP-Adj2 SW Admin
3	WT-Source Oper LBR-Employ-Rg	\$539	\$539	(\$4)	\$536	WP-Adj2 SW Admin
4	WT-Cust Accts Labor-Employ-OT	\$2,457	\$2,457	(\$671)	\$1,786	WP-Adj2 SW Admin
5	WT-A & G Labor-Bonuses	\$4,209	\$4,209	\$48	\$4,257	WP-Adj2 SW Admin
6	Total	\$88,827	\$88,827	(\$1,211)	\$87,616	
<b>INSURANCE</b>						
7	WT-A&G Emp-DENTAL PLAN	\$2,151	\$2,151	(\$972)	\$1,179	WP-Adj9 SW Benefits
8	WT-A&G Emp-GEIS	\$606	\$606		\$606	
9	WT-A&G Empl-CONTRIB THRIFT PL	\$3,993	\$3,993	(\$3,993)	\$0	WP-Adj2 SW Admin PR
10	WT-A&G Empl-GROUP LIFE INS	\$312	\$312	\$696	\$1,009	WP-Adj9 SW Benefits
11	WT-A&G Empl-HEALTH PLANS	\$34,561	\$34,561	(\$23,186)	\$11,376	WP-Adj9 SW Benefits
12	WT-A&G Empl-Insurance Payments	(\$4,617)	(\$4,617)	\$2,106	(\$2,511)	WP-Adj9 SW Benefits
13	WT-A&G Empl-HEALTH PLANS	\$0	\$0	(\$23,608)	(\$23,608)	WP-Adj10 Captliz_Benefits
14	WT-Ins-Work Comp-A & G	\$956	\$956	\$160	\$1,115	WP-Adj12-Insurance
15	Total	\$37,963	\$37,963	(\$48,797)	(\$10,834)	
<b>REPAIRS/MAINTENANCE/SUPPLIES</b>						
16	WT-Trans-A & G	\$20	\$20		\$20	
17	WT-Trans-T&D OP-GASOLINE	\$0	\$0		\$0	
18	WT-Trans-T&D OP-CAR WASH TCK	\$94	\$94	\$4,657	\$4,657	WP-Ad7-Trans Exp
19	WT-Trans-T&D OP-GAIN SALE ASST	(\$2,000)	\$2,000	\$94	\$94	
20	Total	(\$1,886)	\$2,000	\$4,657	\$4,771	WP-Adj15-Other Adj

AQUA TEXAS RATE APPLICATION -SOUTHWEST REGION-TY 12/31/2010  
 WP-SW Admin

SW ADMIN TOTAL REVENUE REQUIREMENTS

	TEST YEAR PER BOOKS 12/31/2010	OUT OF PERIOD AND NORMALIZING ADJUSTMENTS	AS ADJUSTED TEST YEAR PER BOOKS 12/31/2010	ADJUSTMENTS FOR K & M CHANGES	AS ADJUSTED	REFERENCE
	(a)	(b)	(c)	(d)	(e)	(f)
<b>OFFICE EXPENSES</b>						
21						
22	\$308		\$308		\$308	
23	\$127		\$127		\$127	
24	\$158		\$158		\$158	
25	\$30		\$30		\$30	
26	\$8,919		\$8,919		\$8,919	
27	\$154		\$154		\$154	
28	\$595		\$595		\$595	
29	\$898		\$898		\$898	
	\$11,190	\$0	\$11,190	\$0	\$11,190	
<b>MISCELLANEOUS</b>						
30						
31	\$394		\$394		\$394	
32	\$1,474		\$1,474		\$1,474	
33	\$285		\$285		\$285	
34	\$0		\$0		\$0	
35	\$27		\$27		\$27	
36	\$8,479		\$8,479		\$8,479	
37	\$133		\$133		\$133	
38	\$2,847		\$2,847		\$2,847	
39	\$1,200		\$1,200		\$1,200	
40	(\$22,944)		\$0	(\$1,200)	\$0	WP-Adj15-Other Adj
41	(\$127,989)		\$0		\$0	WP-Adj15-Other Adj
	(\$136,093)	\$150,933	\$14,840	(\$1,200)	\$13,640	
<b>PAYROLL TAXES</b>						
42						
43	\$0	\$0	\$0	\$6,583	\$6,583	
44	\$0	\$0	\$0	\$71	\$71	
45	\$0	\$0	\$0	\$167	\$167	
	\$0	\$0	\$0	\$6,821	\$6,821	
42	\$0	\$152,933	\$152,933	(\$39,730)	\$113,203	
43						
44						
		74.91%	\$114,555	75.44%	\$85,397	
		15.14%	\$23,160	14.91%	\$16,873	
<b>TOTAL SW ADMIN ALLOCABLE COSTS</b>						
43						
44						

AQUA TEXAS RATE APPLICATION -SOUTHWEST REGION-TY 12/31/2010  
 W P-FX Admin Inc Stmtnt Detail

TEXAS ADMIN TOTAL REVENUE REQUIREMENTS

	TEST YEAR PER BOOKS 12/31/2010	OUT OF PERIOD AND NORMALIZING ADJUSTMENTS	AS ADJUSTED TEST YEAR PER BOOKS 12/31/2010	ADJUSTMENTS FOR K & M CHANGES	AS ADJUSTED	REFERENCE
	(a)	(b)	(c)	(d)	(e)	(f)
<b>SALARIES &amp; WAGES</b>						
1	WT-A & G Labor-Employ-Rg		\$696,375	\$60,000	\$756,375	WP-Adj2 Admin_Payroll
2	WT-Cust Accis Labor-Employ-Rg		\$1,573	\$135	\$1,708	WP-Adj2 Admin_Payroll
3	WT-Source Oper LBR-Employ-Rg		\$3,794	\$327	\$4,121	WP-Adj2 Admin_Payroll
4	WT-A & G Labor-Employ-OT		\$6,500	\$1,224	\$7,724	WP-Adj2 Admin_Payroll
5	WT-Cust Accis Labor-Employ-OT		\$157	\$30	\$186	WP-Adj2 Admin_Payroll
6	WT-A & G Labor-Bonuses		\$28,856	\$6,967	\$35,823	WP-Adj2 Admin_Payroll
7	WT-A & G Labor-Dividend Equiv		\$12,685	\$0	\$12,685	WP-Adj2 Admin_Payroll
8	WT-A & G Labor-Stock Option Co		\$82,501	\$0	\$82,501	WP-Adj2 Admin_Payroll
9	WT-A & G Restricted Stock Amor		\$14,010	\$0	\$14,010	WP-Adj2 Admin_Payroll
10	TOTAL		\$846,450	\$88,683	\$935,133	
<b>OFFICE EXPENSES</b>						
11	SW-ACO Lockbox Fees		\$135		\$135	
12	SW-Misc-A&G-MAIL OVERNIGHT		\$241		\$241	
13	SW-Misc-A&G-Office Supplies		\$114		\$114	
14	WT-ACO Allocation		(\$61)		(\$61)	
15	WT-ACO Lockbox Fees		(\$61)		(\$61)	
16	WT-Other ACO Direct costs		\$79,845		\$79,845	
17	WT-Cont Serv-Oth-A&G		\$22,363	(\$22,363)	\$0	WP-Adj 15-Other Adj
18	WT-Mat&Sup-T&D OPER-Gen		\$118,802	(\$118,802)	\$0	WP-Adj 15-Other Adj
19	WT-Mat&Sup-A & G		(\$150,199)	\$150,199	\$0	WP-Adj 15-Other Adj
20	WT-Cont Serv-Oth-Source OPER		(\$58)		(\$58)	
21	WT-Cont Serv-Oth-Source MAINT		\$1,000		\$1,000	
22	SW-Cont Serv-Oth-A&G		\$9,006		\$9,006	
23	WT-Cont Serv-Oth-Misc Computer		\$1,008		\$1,008	
24	WT-Misc-A&G-Bank Fees		\$4,131		\$4,131	
25	WT-Misc-A&G-COPIES		\$275		\$275	
26	WT-Cont Serv-Oth-T&D OPER-Metr		\$467		\$467	
27	WT-Misc A&G-MAINT		\$820		\$820	
28	WT-Misc-A&G-MAIL&POST		\$19,218		\$19,218	
29	WT-Misc-A&G-Office Supplies		\$25,341		\$25,341	
30	WT-Rent Equip-Source MAINT		\$250		\$250	
31	WT-Rent Bldg/PP-A & G		\$78,815		\$78,815	
32	WT-Rent Equip-A & G		\$9,798		\$9,798	
33	WT-Trans-A & G		\$5,112		\$5,112	
34	WT-Trans-T&D MAINT		\$1,228		\$1,228	
35	WT-Trans-T&D OP-CAR WASH TCK		\$184	\$1,061	\$1,245	WP-Adj7-Trans Exp
36	WT-Trans-T&D OP-DIESEL		(\$1,779)		(\$1,779)	
37	WT-Trans-T&D OP-GAIN LEASED EQ		(\$64,000)		(\$64,000)	
38	WT-Trans-T&D OP-GAIN SALE ASST		(\$6,280)		(\$6,280)	
39	WT-Trans-T&D OP-GASOLINE		\$10,664		\$10,664	
40	WT-Trans-T&D OP-PARTS AUTO&MCH		\$38	\$4,896	\$4,934	WP-Adj7-Trans Exp
41	WT-Trans-T&D OP-LEASE		\$12,847		\$12,847	
42	WT-Trans-T&D OP-LICENSES		\$363	\$1,676	\$2,039	WP-Adj7-Trans Exp
43	TOTAL		\$179,625	\$9,034	\$188,659	
				\$7,634	\$196,293	

AQUA TFWAS RATE APPLICATION-SOUTHWEST REGION-TY 12/31/2010  
 WP-TX Admin Inc Stmtnt Detail

TEXAS ADMIN TOTAL REVENUE REQUIREMENTS

	TEST YEAR PER BOOKS 12/31/2010	OUT OF PERIOD AND NORMALIZING ADJUSTMENTS	AS ADJUSTED TEST YEAR PER BOOKS 12/31/2010	ADJUSTMENTS FOR K & M CHANGES	AS ADJUSTED	REFERENCE
	(a)	(b)	(c)	(d)	(e)	(f)
<b>ACCOUNTING &amp; LEGAL FEES</b>						
44	WT-Cont Serv-Acct-A & G		\$1,482		\$1,482	
45	WT-Cont Serv-Leg-A & G		\$200,952		\$200,952	
46	TOTAL	\$0	\$202,433	\$0	\$202,433	
<b>INSURANCE</b>						
47	WT-A&G Emp-DENTAL PLAN		\$17,321	(\$8,952)	\$8,369	WP-Adj9 SW Benefits
48	WT-A&G Emp-GEIS		\$4,372		\$4,372	
49	WT-A&G Emp-GROUP LIFE INS		\$2,734	\$5,497	\$8,231	WP-Adj9 SW Benefits
50	WT-A&G Emp-HEALTH PLANS		\$276,732	(\$181,854)	\$94,878	WP-Adj9 SW Benefits
51	WT-A&G Emp-Insurance Payments		(\$117,356)	\$97,895	(\$19,462)	WP-Adj9 SW Benefits
52	WT-A&G Emp-US HEALTHCARE		(\$207,953)	\$47,227	(\$160,726)	WP-Adj10-Capiliz_Benefits
53	WT-A&G Emp-INTERCO BENEFITS		\$148		\$148	
54	WT-Ins-Gen Liab-A & G		(\$11,401)		\$0	WP-Ad j15-Other Adj
55	WT-Ins-Vehicle-A & G		\$6		\$6	
56	WT-Ins-Work Comp-A & G		\$6,275	\$3,120	\$9,396	
57	TOTAL	(\$29,120)	\$11,401	(\$37,067)	(\$54,787)	
<b>MISCELLANEOUS</b>						
58	TY Corporate Management Fees		\$1,447,950	\$80,678	\$1,528,628	WP-Ad j15-Other Adj
59	WT-Region Mgmt Fees		\$20,024		\$0	WP-Ad j15-Other Adj
60	SW-Cont Serv-MgtFee-A&G		(\$227,652)		\$0	WP-Ad j15-Other Adj
61	WT-Cont Serv-Mgmt F-A & G		\$1,114,530		\$0	WP-Ad j15-Other Adj
62	WT-Comp Mgmt Fees Only		\$396		\$0	WP-Ad j15-Other Adj
63	WT-Bad Debt Expense-Cust Accts		(\$66,423)		\$0	WP-Ad j15-Other Adj
64	WT-Misc-A&G-Claims		\$20,018		\$20,018	
65	WT-A&G Emp-CONTRIB THRIFT PL		\$30,875	\$1,397	\$32,272	WP-Adj2 SW Admin PR
66	SW-A&G Emp-CONTRIB THRIFT PL		(\$1,163)		(\$1,163)	
67	WT-A&G Emp-Pension Paid		\$14,338		\$14,338	
68	WT-A&G Emp-POSTRT BENEFAS 106)		\$322		\$322	
69	WT-A&G Emp-INTERCO BENEFITS		\$148		\$148	
70	SW-Misc-A&G		\$1,697		\$1,697	
71	WT-Misc-A&G-SERVICE CLEARING		\$247		\$247	
72	SW-Misc-A&G-MEALS 100% DED		\$155		\$155	
73	SW-Misc-A&G-MEALS 50% DED		\$84		\$84	
74	SW-Misc-A&G-SEMINARS		\$574		\$574	
75	SW-Misc-A&G-TRV		\$14		\$14	
76	SW-Misc-A&G-TRV-HOTEL		\$599		\$599	
77	WT-A&G Emp-EMPLY X-MAS GIFTS		\$7,526	(\$7,526)	\$0	WP-Ad j15-Other Adj
78	WT-A&G Emp-FLOWERS & FRUIT		\$590	(\$590)	\$0	WP-Ad j15-Other Adj
79	WT-A&G Emp-EDUCATION		\$2,790		\$2,790	
80	WT-A&G Emp-MISC		\$240		\$240	
81	WT-A&G Emp-SEMINARS		\$60		\$60	
82	WT-Misc-A&G		\$5,275		\$5,275	
83	WT-Misc-A&G-Civic Org Events (Aqua Connects		\$20,528	(\$20,528)	\$0	WP-Ad j15-Other Adj
84	WT-Misc-A&G-COMM EXP		\$197,092	(\$5,911)	\$191,181	WP-Ad j15-Other Adj
85	WT-Misc-A&G-DUES		\$476		\$476	
86	SW-Misc-A&G-DUES		\$338		\$338	
87	WT-Misc-A&G-ENTERTAIN		\$20	(\$20)	\$0	WP-Ad j15-Other Adj

AQUA TEXAS RATE APPLICATION -SOUTHWEST REGION-TY 12/31/2010  
 WP-TX Admin Inc Stmtt Detail

TEXAS ADMIN TOTAL REVENUE REQUIREMENTS

	TEST YEAR PER BOOKS 12/31/2010	OUT OF PERIOD AND NORMALIZING ADJUSTMENTS	AS ADJUSTED TEST YEAR PER BOOKS 12/31/2010	ADJUSTMENTS FOR K & M CHANGES	AS ADJUSTED	REFERENCE
	(a)	(b)	(c)	(d)	(e)	(f)
88	WT-Misc-A&G-FINES&PENALTIES					
89	WT-Misc-A&G-LIC&PER	\$274	\$274		\$0	WP-Adj15-Other Adj
90	WT-Misc-A&G-MEALS 100% DED	\$5,977	\$5,977	(\$274)	\$5,977	
91	WT-Misc-A&G-MEALS 50% DED	\$2,835	\$2,835		\$2,835	
92	SW-Misc-A&G-DUES	\$10,619	\$10,619		\$10,619	
93	SW-Misc-A&G-TRV-Mile Reim	\$338	\$338		\$338	
94	WT-Misc-A&G-TRV	\$111	\$111		\$111	
95	WT-Misc-A&G-TRV-Airplane	\$513	\$513		\$513	
96	WT-Misc-A&G-TRV-Auto Mile Reim	\$5,389	\$5,389		\$5,389	
97	WT-Misc-A&G-TRV-HOTEL	\$5,576	\$5,576		\$5,576	
98	WT-Misc-A&G-TRV-RENTAL CAR	\$13,300	\$13,300		\$13,300	
99	WT-Misc-A&G-UNIFORMS	\$4,899	\$4,899		\$4,899	
100	TOTAL	\$100	\$100		\$100	
		(\$1,075,458)	\$1,800,725	\$47,226	\$1,847,951	
<b>PAYROLL TAXES</b>						
101	Payroll Taxes-FICA	\$0	\$0	\$56,913	\$56,913	WP-Adj3 SW Payroll Tax
102	Payroll Taxes-FUTA	\$0	\$0	\$552	\$552	WP-Adj3 SW Payroll Tax
103	Payroll Taxes-SUTA	\$0	\$0	\$1,295	\$1,295	WP-Adj3 SW Payroll Tax
104	TOTAL	\$0	\$0	\$58,759	\$58,759	
<b>OTHER TAXES</b>						
105	Property Taxes	\$0	\$0	\$0	\$0	
106	TOTAL	\$0	\$0	\$0	\$0	



AQUA TEXAS RATE APPLICATION -SOUTHWEST REGION-TY 12/31/2010  
 WP-TX Admin Inc Stmt Detail

TEXAS ADMIN TOTAL REVENUE REQUIREMENTS

	(a)	(b)	(c)	(d)	(e)	(f)
	TEST YEAR PERIOD AND PER BOOKS NORMALIZING 12/31/2010 ADJUSTMENTS	OUT OF PERIOD AND NORMALIZING ADJUSTMENTS	AS ADJUSTED TEST YEAR PER BOOKS 12/31/2010	ADJUSTMENTS FOR K & M CHANGES	AS ADJUSTED	REFERENCE
<b>DEPRECIATION &amp; AMORTIZATION</b>						
107	Deprec Exp-Utility Plant	(\$167,156)	\$0	\$0	\$0	WP-Ad j15-Other Adj
108	Amort-Other Utility Plant	\$13,511	\$0	\$0	\$0	WP-Ad j15-Other Adj
109	TOTAL	\$153,645	(\$167,156)	\$0	\$0	
110	GRAND TOTAL	\$277,574	\$2,728,461	\$3,020,546	\$3,165,781	
111	TOTAL TEXAS ADMIN ALLOCABLE COSTS	\$277,574	\$2,742,972	\$3,020,546	\$3,165,781	
112	TOTAL CORP ADMIN ALLOCABLE COSTS	\$0	\$0	\$1,447,950	\$1,528,628	
113	TEXAS ADMIN ALLOCABLE COSTS ONLY	\$277,574	\$2,742,972	\$1,572,597	\$1,637,153	
114	TEXAS ADMIN ALLOC DEPR ONLY	\$153,645	(\$167,156)	\$0	\$0	
<b>TEXAS ADMIN ALLOCABLE COSTS</b>						
115	ALLOCATE SW WATER ON CUSTOMER		20.17%	\$317,134	\$312,369	
116	ALLOCATE SW SEWER ON CUSTOMER		4.08%	\$64,115	\$61,703	
<b>CORP ADMIN ALLOCABLE COSTS</b>						
117	ALLOCATE SW WATER ON CUSTOMER		20.17%	\$291,998	\$291,662	
118	ALLOCATE SW SEWER ON CUSTOMER		4.08%	\$59,033	\$57,613	
<b>TEXAS ADMIN ALLOCABLE DEPRECIATION</b>						
119	ALLOCATE SW WATER ON CUSTOMER		20.17%	\$0	\$0	
120	ALLOCATE SW SEWER ON CUSTOMER		4.08%	\$0	\$0	

AQUA TEXAS RATE APPLICATION -SOUTHWEST REGION-TY 12/31/2010  
 WP-Alloc Change Rec SW Admin

SW ADMIN OFFICE ALLOCATION CHANGE

	TEST YEAR	SW Admin Office K&M		
	12/31/2010	Allocation of 75.44% Minus	Test Year Alloc of 74.91%	
	(a)	(b)	(c)	
			(a) X (b)	
<b><u>SALARIES &amp; WAGES</u></b>				
1	WT-A & G Labor-Employ-Rg	\$50,810	0.58%	\$270
2	WT-Cust Accts Labor-Employ-Rg	\$30,811	0.58%	\$164
3	WT-Source Oper LBR-Employ-Rg	\$539	0.58%	\$3
4	WT-Cust Accts Labor-Employ-OT	\$2,457	0.58%	\$13
5	WT-A & G Labor-Bonuses	\$4,209	0.58%	\$22
<b><u>INSURANCE</u></b>				
6	WT-A&G Emp-DENTAL PLAN	\$2,151	0.53%	\$11
7	WT-A&G Emp-GEIS	\$606	0.53%	\$3
8	WT-A&G Empl-CONTRIB THRIFT PL	\$3,993	0.53%	\$21
9	WT-A&G Empl-GROUP LIFE INS	\$312	0.53%	\$2
10	WT-A&G Empl-HEALTH PLANS	\$34,561	0.53%	\$184
11	WT-A&G Empl-Insurance Payments	(\$4,617)	0.53%	(\$25)
12	WT-A&G Empl-HEALTH PLANS	\$0	0.53%	\$0
13	WT-Ins-Work Comp-A & G	\$956	0.53%	\$5
<b><u>REPAIRS/MAINTENANCE/SUPPLIES</u></b>				
14	WT-Trans-A & G	\$20	0.53%	\$0
15	WT-Trans-T&D OP-GASOLINE	\$0	0.53%	\$0
16	WT-Trans-T&D OP-CAR WASH TCK	\$94	0.53%	\$0
17	WT-Trans-T&D OP-GAIN SALE ASST	\$0	0.53%	\$0
<b><u>OFFICE EXPENSES</u></b>				
18	WT-Mat&Sup-A & G	\$308	0.53%	\$2
19	WT-Misc-A&G-COMM EXP	\$127	0.53%	\$1
20	WT-Misc-A&G-Office Supplies	\$158	0.53%	\$1
21	WT-Misc-A&G-MAIL OVERNIGHT	\$30	0.53%	\$0
22	WT-Misc-A&G-MAIL&POST	\$8,919	0.53%	\$47
23	WT-Misc-A&G-Bank Fees	\$154	0.53%	\$1
24	SW-Cont Serv-Legal-A&G	\$595	0.53%	\$3
25	WT-Cont Serv-Legl-A & G	\$898	0.53%	\$5
<b><u>MISCELLANEOUS</u></b>				
26	WT-Misc-A&G-MEALS 100% DED	\$394	0.53%	\$2
27	WT-Misc-A&G-MEALS 50% DED	\$1,474	0.53%	\$8
28	WT-Misc-A&G-TRV-HOTEL	\$285	0.53%	\$2
29	WT-Misc-A&G-CONTRIB	\$0	0.53%	\$0
30	WT-Misc-A&G-UNIFORMS	\$27	0.53%	\$0
31	SW-Misc-A&G-Claims	\$8,479	0.53%	\$45
32	WT-Misc-A&G-AR/AP Adj	\$133	0.53%	\$1
33	WT-Misc-A&G-Claims	\$2,847	0.53%	\$15
34	Misc NonUtil Exp-CHARIT CONTR	\$1,200	0.53%	\$6
35	SW-Cont Serv-MgtFee-A&G	\$0	0.53%	\$0
36	WT-Cont Serv-Mgmt F-A & G	\$0	0.53%	\$0
	Reconcile To Test Year	<b>\$152,933</b>		<b>\$813</b>