

**Capital Asset Pricing Model ("CAPM")** cost of equity is represented by a yield on a risk-free interest bearing obligation plus a return representing a premium which is proportional to the systematic risk of an investment. Using the 4.00% risk-free rate of return ( $R_f$ ), the leverage adjusted beta ( $\beta$ ) of 0.92 for the Water Group, the 7.30% market premium ( $R_m - R_f$ ), and the 0.94% size adjustment, the CAPM-indicated cost of equity is:

$$R_f + \beta \times (R_m - R_f) + size = k$$

$$\text{Water Group } 4.00\% + 0.86 \times ( 8.96\% ) + 1.20\% = 12.91\%$$

The yields on 20-year Treasury bonds have been employed as the measure of the historical risk-free rate of return ( $R_f$ ), as shown on pages 2 and 3 of Schedule 10. For forecasts, the yields on 30-year Treasury bonds that are published by Blue Chip. The reason that the yield on 20-year Treasury has been employed in the historical analysis relates to the interruption in the 30-year series, which had no data reported for the months of March 2002 to January 2006. That is to say, 48-months of data were missing from the 60-months that were used for the five-year historical analysis shown on page 2 of Schedule 10. As shown on pages 2 and 3 of Schedule 10, the twelve months, the average yield ended August 2011 was 3.95%, as shown on page 3 of that schedule. For the six- and three-months ended August 2011, the yields on 20-year Treasury bonds averaged 3.94% and 3.70%, respectively. During the twelve-months ended August 2011, the range of the yields on 20-year Treasury bonds was 3.24% to 4.42%. As shown on page 4 of Schedule 10, forecasts published by Blue Chip on September 1, 2011 indicate that the yields on long-term Treasury bonds are expected to be in the range of 3.8% to 4.2% during the next six quarters. The longer term forecasts described previously (see Blue Chip Financial Forecast presented earlier) show that the yields on 30-year Treasury bonds will average 5.6% from 2013 through 2017. For the reasons explained previously, forecasts of interest rates should be emphasized at this time in selecting the risk-free rate of return in CAPM. Hence, a 4.00% risk-free rate of return is reasonable for CAPM purposes, which considers not only the Blue Chip forecasts, but also the recent level of the yields on long-term Treasury bonds.

The betas ( $\beta$ ) must be reflective of the financial risk associated with the ratesetting capital structure which is measured at book value. To develop a CAPM cost rate applicable to a book value capital structure, the average of the Value Line betas have been unleveraged and releveraged for the common equity ratios of the Water Group using book values. This adjustment has been made with the formula:

$$\beta_l = \beta_u [1 + (1 - t) D/E + P/E]$$

where  $\beta_l$  = the leveraged beta,  $\beta_u$  = the unleveraged beta,  $t$  = income tax rate,  $D$  = debt ratio,  $P$  = preferred stock ratio, and  $E$  = common equity ratio. The betas and their corresponding common equity ratios are:

	Market Values		Book Values	
	Beta	Common Equity Ratio	Beta	Common Equity Ratio
Water Group	0.72	61.78%	0.86	48.87%

Both the historical and forecast data has been used to measure the market premium ( $R_u - R_f$ ) which is 8.96%. The market premium and is derived from the SBBI Classic Yearbook (i.e., 6.35%) and the Value Line and S&P 500 returns (i.e., 11.56%). The market premium as averaged from these sources equals 8.90% ( $6.35\% + 11.56\% = 17.91\% \div 2$ ).

It is important to recognize that there would be an understatement of a firm's cost of equity with the CAPM unless the size of a firm is considered. That is to say, as the size of a firm decreases, its risk, and hence its required return increases. In his discussion of the cost of capital, Professor Brigham has indicated that smaller firms have higher capital costs than otherwise similar larger firms (see Fundamentals of Financial Management, fifth edition, page 623). Also, the Fama/French study (see "The Cross-Section of Expected Stock Returns"; The Journal of Finance, June 1992) established that size of a firm helps explain stock returns. In an October 15, 1995 article in Public Utility Fortnightly, entitled "Equity and the Small-Stock Effect," by Michael Annin it was demonstrated that the CAPM would understate the cost of equity significantly according to a company's size. Indeed, it was demonstrated in the SBBI 2008 Yearbook that the returns for stocks in lower deciles (i.e., smaller stocks) had returns in excess of those shown by the simple CAPM. In this regard, the Water Group has a market-based average equity capitalization of \$1,147 million. For the CAPM analysis, a mid-cap adjustment of 1.20% has been used.

Comparable Earnings approach has been used extensively in rate of return analysis for over a half century. The Comparable Earnings approach has been implemented in this case with data taken from non-regulated companies using six selection criteria from the Value Line Investment Survey for Windows to establish comparability. These screening criteria were based upon the range as defined by the rankings of the companies in the Water Group. The items considered were: Timeliness Rank, Safety Rank, Financial Strength, Price Stability, Value Line betas, and Technical Rank. The identities of the companies comprising the Comparable Earnings group and their associated rankings within the ranges are identified on page 1 of Schedule 11.

Value Line data was relied upon because it provides a comprehensive basis for evaluating the risks of the comparable firms. As to the returns calculated by Value Line for these companies, there is some downward bias in the figures shown on page 2 of Schedule 11, because Value Line computes the returns on year-end rather than average book value. If average book values had been employed, the rates of return would have been slightly higher. Nevertheless, these are the returns considered by investors when taking positions in these stocks. Because many of the comparability factors, as well as the published returns, are used by investors in selecting stocks, and to the extent that investors rely on the Value Line service to gauge returns, it is, therefore, an appropriate

database for measuring comparable return opportunities. It is appropriate to consider a relatively long measurement period in the Comparable Earnings approach in order to cover conditions over an entire business cycle. A ten-year period (5 historical years and 5 projected years) is sufficient to cover an average business cycle. Unlike the DCF and CAPM, the results of the Comparable Earnings method can be applied directly to the book value capitalization. In other words, the Comparable Earnings approach does not contain the potential misspecification contained in market models when the market capitalization and book value capitalization diverge significantly. The historical rate of return on book common equity was 11.6% as shown on page 2 of Schedule 11 after excluding the average returns that exceed 20%. The forecast rate of return, as published by Value Line, is 12.2%, as indicated on page 2 of Schedule 11. The Comparable Earnings approach is consistent with the returns attainable in competitive markets. With the trend toward market-based pricing for utility service, the ratesetting process should emulate the returns achieved by non-regulated firms operating in a competitive market. This makes the Comparable Earnings approach relevant to the measurement of the Company's cost of equity.

The average of the historical and forecast rates of return is:

	<u>Historical</u>	<u>Forecast</u>	<u>Average</u>
Comparable Earnings Group	11.6%	12.2%	11.90%

#### Conclusion

Based upon the application of a variety of methods and models described previously, a reasonable rate of return on common equity is within the range 10.6% to 12.9% for Aqua Texas. The Commission should set the Company's rate of return on common equity at 12.00%. It is essential that the Commission employ a variety of techniques to measure the Company's cost of equity because of the limitations/infirmities that are inherent in each method. The Commission should also recognize that cost of equity set in the proceeding makes no provision for the prospect that the return may not be achieved due to regulatory lag, attrition and/or other unforeseen events.

**EXHIBIT**  
**PRM-1**

## AQUA TEXAS

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**Aqua Texas**  
Cost of Capital  
At December 31, 2010

<u>Type of Capital</u>	<u>Ratios</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Total Debt	49.30%	5.10%	2.51%
Common Equity	50.70%	12.00%	6.08%
Total	<u>100.00%</u>		<u>8.59%</u>

Indicated levels of fixed charge coverage assuming that the Company could actually achieve its overall cost of capital:

Pre-tax coverage of interest expense based upon a 35.0000% composite income tax rate ( 11.86% ÷ 2.51% )	4.73 x
Post-tax coverage of interest expense ( 8.59% ÷ 2.51% )	3.42 x

Acqua Texas  
Capitalization and Financial Statistics  
2006-2010, Inclusive

	2010	2009	2008 (Millions of Dollars)	2007	2006	
<b>Amount of Capital Employed</b>						
Permanent Capital	\$ 173.8	\$ 171.5	\$ 162.2	\$ 160.7	\$ 151.2	
Short-Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Capital	<u>\$ 173.8</u>	<u>\$ 171.5</u>	<u>\$ 162.2</u>	<u>\$ 160.7</u>	<u>\$ 151.2</u>	
<b>Capital Structure Ratios</b>						
Based on Permanent Capital:						<u>Average</u>
Long-Term Debt	49.3%	50.4%	51.8%	52.2%	NMF	50.9%
Common Equity	50.7%	49.6%	48.2%	47.8%	NMF	49.1%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>NMF</u>	<u>100.0%</u>
Based on Total Capital:						
Total Debt incl. Short Term	49.3%	50.4%	51.8%	52.2%	NMF	50.9%
Common Equity	50.7%	49.6%	48.2%	47.8%	NMF	49.1%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>NMF</u>	<u>100.0%</u>
Rate of Return on Book Common Equity	5.9%	7.4%	7.1%	5.3%	8.1%	6.8%
Operating Ratio <sup>(1)</sup>	79.0%	76.6%	74.3%	70.6%	60.0%	72.1%
Coverage incl. AFUDC <sup>(2)</sup>						
Pre-tax: All Interest Charges	2.82 x	3.23 x	3.01 x	3.09 x	NMF x	3.04 x
Post-tax: All Interest Charges	2.16 x	2.39 x	2.25 x	2.35 x	NMF x	2.29 x
Coverage excl. AFUDC <sup>(2)</sup>						
Pre-tax: All Interest Charges	2.70 x	3.23 x	3.01 x	3.09 x	NMF x	3.01 x
Post-tax: All Interest Charges	2.03 x	2.39 x	2.24 x	2.34 x	NMF x	2.25 x
Quality of Earnings & Cash Flow						
AFC/Income Avail for Common Equity	10.9%	0.0%	0.0%	0.4%	2.2%	2.7%
Effective Income Tax Rate	36.6%	37.8%	38.2%	35.7%	38.0%	37.3%
Internal Cash Generation/Construction <sup>(3)</sup>	143.2%	135.2%	164.4%	131.7%	117.0%	138.3%
Gross Cash Flow/ Avg. Total Debt <sup>(4)</sup>	21.1%	23.0%	22.3%	NMF	NMF	22.1%
Gross Cash Flow Interest Coverage <sup>(5)</sup>	4.11 x	4.52 x	4.25 x	3.45 x	NMF x	4.08 x

See Page 2 for Notes.

Aqua Texas  
Capitalization and Financial Statistics  
2006-2010, Inclusive

Notes:

NMF = No meaningful figure.

- (1) Total operating expenses, maintenance, depreciation and taxes other than income taxes as a percent of operating revenues.
- (2) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
- (3) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.
- (4) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
- (5) Gross Cash Flow plus interest charges divided by interest charges.

Source of Information: Certified Annual Reports



Water Group  
Capitalization and Financial Statistics <sup>(1)</sup>  
2006-2010, Inclusive

	2010	2009	2008	2007	2006	
	(Millions of Dollars)					
<b>Amount of Capital Employed</b>						
Permanent Capital	\$ 1,720.0	\$ 1,645.5	\$ 1,542.2	\$ 1,561.0	\$ 1,470.2	
Short-Term Debt	\$ 53.5	\$ 31.2	\$ 84.2	\$ 37.5	\$ 100.2	
Total Capital	<u>\$ 1,773.5</u>	<u>\$ 1,676.7</u>	<u>\$ 1,626.4</u>	<u>\$ 1,598.5</u>	<u>\$ 1,570.4</u>	
<b>Market-Based Financial Ratios</b>						<u>Average</u>
Earnings/Price Ratio	20 x	22 x	22 x	27 x	26 x	23 x
Market/Book Ratio	175.9%	171.3%	175.3%	237.9%	259.2%	203.9%
Dividend Yield	3.5%	3.7%	3.4%	2.7%	2.7%	3.2%
Dividend Payout Ratio	67.2%	75.3%	73.6%	71.9%	71.6%	71.9%
<b>Capital Structure Ratios</b>						
Based on Permanent Capital:						
Long-Term Debt	51.0%	50.8%	50.1%	49.6%	49.8%	50.3%
Preferred Stock	0.2%	0.2%	0.2%	0.3%	0.3%	0.2%
Common Equity <sup>(2)</sup>	48.9%	49.0%	49.7%	50.1%	50.0%	49.5%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Based on Total Capital:						
Total Debt incl. Short Term	53.5%	53.4%	53.2%	50.8%	51.4%	52.5%
Preferred Stock	0.1%	0.2%	0.2%	0.3%	0.3%	0.2%
Common Equity <sup>(2)</sup>	46.3%	46.5%	46.6%	48.9%	48.3%	47.3%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Rate of Return on Book Common Equity <sup>(2)</sup>	8.9%	8.6%	8.9%	9.0%	10.3%	9.1%
Operating Ratio <sup>(3)</sup>	71.4%	73.1%	72.4%	72.3%	74.0%	72.6%
<b>Coverage incl. AFUDC <sup>(4)</sup></b>						
Pre-tax: All Interest Charges	3.39 x	3.28 x	3.31 x	3.41 x	3.46 x	3.37 x
Post-tax: All Interest Charges	2.46 x	2.45 x	2.46 x	2.50 x	2.58 x	2.49 x
Overall Coverage: All Int. & Pfd. Div.	2.45 x	2.43 x	2.44 x	2.49 x	2.57 x	2.48 x
<b>Coverage excl. AFUDC <sup>(4)</sup></b>						
Pre-tax: All Interest Charges	3.34 x	3.22 x	3.23 x	3.35 x	3.39 x	3.31 x
Post-tax: All Interest Charges	2.42 x	2.38 x	2.38 x	2.45 x	2.51 x	2.43 x
Overall Coverage: All Int. & Pfd. Div.	2.41 x	2.37 x	2.36 x	2.43 x	2.49 x	2.41 x
<b>Quality of Earnings &amp; Cash Flow</b>						
AFC/Income Avail. for Common Equity	3.2%	4.2%	5.5%	3.6%	5.2%	4.3%
Effective Income Tax Rate	38.9%	37.3%	37.0%	37.8%	33.6%	36.9%
Internal Cash Generation/Construction <sup>(5)</sup>	67.6%	65.7%	50.1%	50.0%	49.6%	56.6%
Gross Cash Flow/ Avg. Total Debt <sup>(6)</sup>	18.6%	17.6%	18.3%	16.3%	18.7%	17.9%
Gross Cash Flow Interest Coverage <sup>(7)</sup>	4.36 x	4.17 x	4.02 x	3.68 x	3.83 x	4.01 x
Common Dividend Coverage <sup>(8)</sup>	3.74 x	3.50 x	3.96 x	2.80 x	3.35 x	3.47 x

See Page 2 for Notes.

Water Group  
Capitalization and Financial Statistics  
2006-2010, Inclusive

Notes:

- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group.
- (2) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account.
- (3) Total operating expenses, maintenance, depreciation and taxes other than income taxes as a percent of operating revenues.
- (4) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
- (5) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.
- (6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
- (7) Gross Cash Flow plus interest charges divided by interest charges.
- (8) Common dividend coverage is the relationship of internally-generated funds from operations after payment of preferred stock dividends to common dividends paid.

Basis of Selection:

The Water Group companies have the following common characteristics: (i) they are listed in the "Water Utility Industry" section (basic and expanded editions) of The Value Line Investment Survey, (ii) their stock is publicly traded, and (iii) they are not currently the target of a publicly-announced merger or acquisition.

Ticker	Company	Corporate Credit Ratings		Stock Traded	S&P Stock Ranking	Value Line Beta
		Moody's	S&P			
AWR	American States Water	A2	A+	NYSE	B+	0.75
AWK	American Water Works Co.	Baa2	BBB+	NYSE	NR	0.65
WTR	Aqua America, Inc.	-	A+	NYSE	A	0.65
ARTNA	Artesian Resources Corp.	-	-	NASDAQ	NR	0.60
CWT	California Water Serv. Grp.	A2	A+	NYSE	A-	0.70
CTWS	Connecticut Water Services	-	A	NASDAQ	A-	0.80
MSEX	Middlesex Water Company	-	A-	NASDAQ	A-	0.75
SJW	SJW Corporation	-	A	AMER	A-	0.90
YORW	York Water Company	-	A-	NASDAQ	A	0.70
	Average	<u>A3</u>	<u>A</u>		<u>A-</u>	<u>0.72</u>

Note: Ratings are those of utility subsidiaries

Source of Information: Utility COMPUSTAT  
Moody's Investors Service  
Standard & Poor's Corporation  
S&P Stock Guide

Standard & Poor's Public Utilities  
Capitalization and Financial Statistics <sup>(1)</sup>  
2006-2010, Inclusive

	2010	2009	2008	2007	2006	
			(Millions of Dollars)			
<b>Amount of Capital Employed</b>						
Permanent Capital	\$ 17,554.1	\$ 16,665.3	\$ 15,615.3	\$ 14,318.9	\$ 14,401.2	
Short-Term Debt	\$ 400.7	\$ 392.2	\$ 808.7	\$ 575.9	\$ 477.7	
Total Capital	<u>\$ 17,954.8</u>	<u>\$ 17,057.5</u>	<u>\$ 16,424.0</u>	<u>\$ 14,894.8</u>	<u>\$ 14,878.9</u>	
<b>Market-Based Financial Ratios</b>						<u>Average</u>
Price-Earnings Multiple	15 x	14 x	14 x	16 x	16 x	15 x
Market/Book Ratio	141.1%	135.5%	177.7%	219.3%	206.7%	176.1%
Dividend Yield	4.7%	5.2%	4.3%	3.4%	3.7%	4.3%
Dividend Payout Ratio	72.6%	72.8%	63.0%	55.9%	62.5%	65.4%
<b>Capital Structure Ratios</b>						
Based on Permanent Capital:						
Long-Term Debt	52.3%	53.1%	54.0%	52.7%	53.7%	53.2%
Preferred Stock	1.3%	1.4%	1.7%	1.7%	1.7%	1.6%
Common Equity <sup>(2)</sup>	46.4%	45.5%	44.4%	45.6%	44.6%	45.3%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Based on Total Capital:						
Total Debt incl. Short Term	53.8%	54.7%	57.1%	55.3%	55.8%	55.3%
Preferred Stock	1.2%	1.4%	1.5%	1.6%	1.7%	1.5%
Common Equity <sup>(2)</sup>	45.0%	43.9%	41.4%	43.1%	42.5%	43.2%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Rate of Return on Book Common Equity <sup>(2)</sup>	10.7%	10.1%	12.1%	12.8%	11.9%	11.5%
Operating Ratio <sup>(3)</sup>	82.3%	83.7%	84.8%	84.8%	85.1%	84.1%
<b>Coverage incl. AFUDC <sup>(4)</sup></b>						
Pre-tax: All Interest Charges	3.13 x	3.58 x	3.22 x	3.52 x	3.15 x	3.32 x
Post-tax: All Interest Charges	2.40 x	2.67 x	2.45 x	2.68 x	2.47 x	2.53 x
Overall Coverage: All Int. & Pfd. Div.	2.39 x	2.60 x	2.41 x	2.64 x	2.43 x	2.49 x
<b>Coverage excl. AFUDC <sup>(4)</sup></b>						
Pre-tax: All Interest Charges	3.04 x	3.48 x	3.11 x	3.44 x	3.10 x	3.23 x
Post-tax: All Interest Charges	2.31 x	2.58 x	2.34 x	2.60 x	2.42 x	2.45 x
Overall Coverage: All Int. & Pfd. Div.	2.30 x	2.50 x	2.30 x	2.56 x	2.38 x	2.41 x
<b>Quality of Earnings &amp; Cash Flow</b>						
AFC/Income Avail. for Common Equity	6.6%	7.8%	7.7%	5.1%	3.5%	6.1%
Effective Income Tax Rate	34.5%	31.9%	32.6%	34.2%	32.8%	33.2%
Internal Cash Generation/Construction <sup>(5)</sup>	109.3%	100.0%	80.6%	88.4%	90.0%	93.7%
Gross Cash Flow/ Avg. Total Debt <sup>(6)</sup>	24.6%	25.8%	22.4%	22.3%	20.4%	23.1%
Gross Cash Flow Interest Coverage <sup>(7)</sup>	5.26 x	5.44 x	4.77 x	4.55 x	4.17 x	4.84 x
Common Dividend Coverage <sup>(8)</sup>	4.97 x	4.68 x	4.79 x	4.63 x	4.16 x	4.65 x

See Page 2 for Notes.

Standard & Poor's Public Utilities  
Capitalization and Financial Statistics  
2006-2010, Inclusive

Notes:

- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group.
- (2) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account
- (3) Total operating expenses, maintenance, depreciation and taxes other than income taxes as a percent of operating revenues.
- (4) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
- (5) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.
- (6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) as a percentage of average total debt.
- (7) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
- (8) Common dividend coverage is the relationship of internally-generated funds from operations after payment of preferred stock dividends to common dividends paid.

Source of Information: Annual Reports to Shareholders  
Utility COMPUSTAT

**Standard & Poor's Public Utilities**

Company Identities

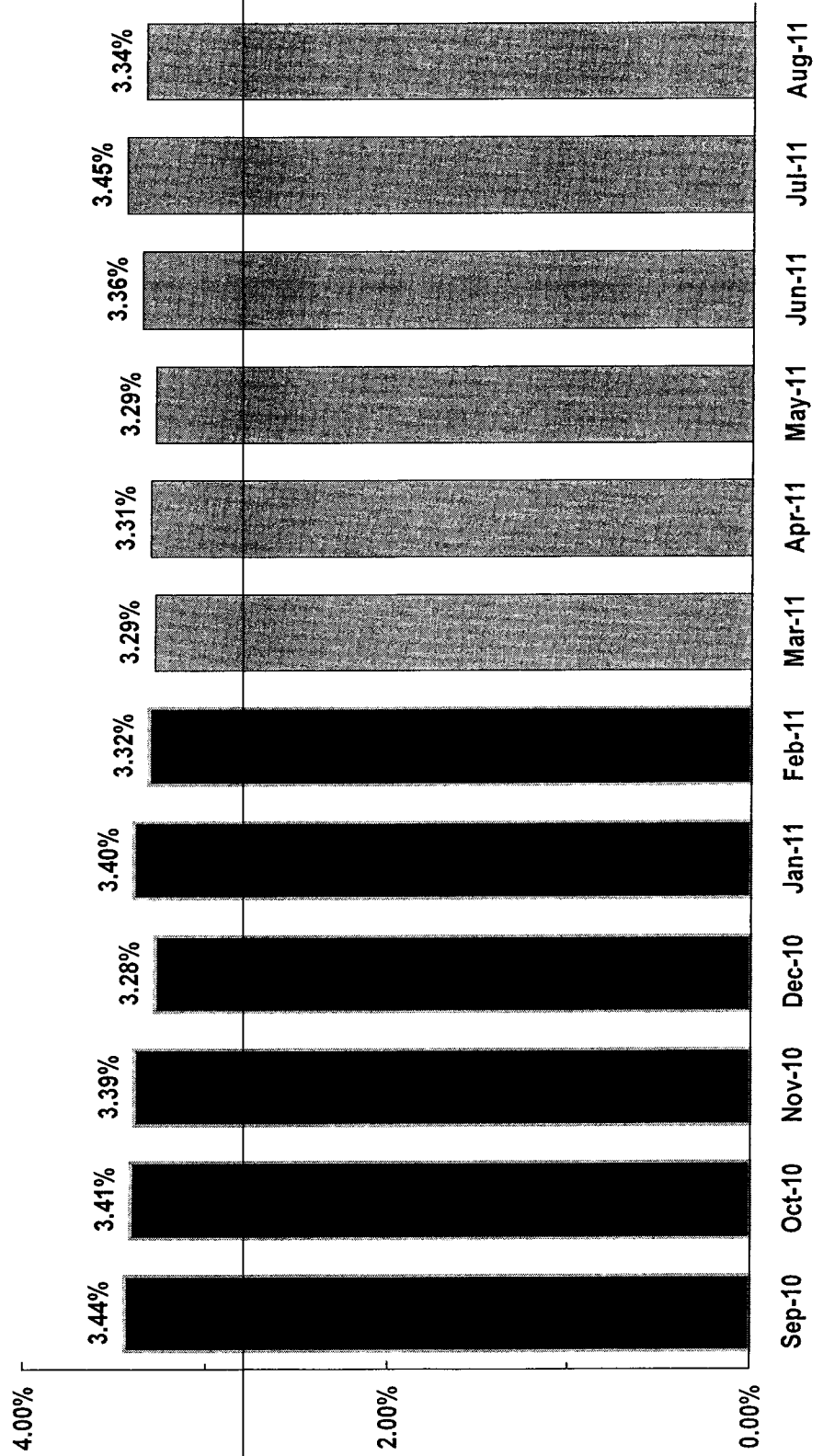
	Ticker	Credit Rating <sup>(1)</sup>		Common Stock Traded	S&P Stock Ranking	Value Line Beta
		Moody's	S&P			
Ameren Corporation	AEE	Baa2	BBB-	NYSE	B	0.80
American Electric Power	AEP	Baa2	BBB	NYSE	B	0.70
CMS Energy	CMS	Baa2	BBB-	NYSE	B	0.75
CenterPoint Energy	CNP	Baa2	BBB	NYSE	B	0.80
Consolidated Edison	ED	A3	A-	NYSE	B+	0.65
Constellation Energy Group	CEG	Baa2	BBB+	NYSE	B	0.80
DTE Energy Co.	DTE	Baa1	BBB+	NYSE	B+	0.75
Dominion Resources	D	A3	A-	NYSE	A-	0.70
Duke Energy	DUK	A3	A-	NYSE	B	0.65
Edison Int'l	EIX	A3	BBB+	NYSE	B	0.80
Entergy Corp.	ETR	Baa2	BBB	NYSE	A	0.70
EQT Corp.	EQT	Baa1	BBB	NYSE	B+	1.15
Exelon Corp.	EXC	A3	BBB	NYSE	B+	0.85
FirstEnergy Corp.	FE	Baa2	BBB-	NYSE	A-	0.80
Integrus Energy Group	TEG	A2	A-	NYSE	B	0.90
NextEra Energy Inc.	NEE	A2	A-	NYSE	A	0.75
NICOR Inc.	GAS	A2	AA	NYSE	B+	0.75
NiSource Inc.	NI	Baa2	BBB-	NYSE	B	0.85
Northeast Utilities	NU	Baa1	BBB	NYSE	B	0.70
NRG Energy Inc.	NRG	Ba3	BB-	NYSE	NR	1.15
ONEOK, Inc.	OKE	Baa2	BBB	NYSE	A-	0.95
PEPCO Holdings, Inc.	POM	Baa2	BBB+	NYSE	B	0.80
PG&E Corp.	PCG	A3	BBB+	NYSE	B	0.55
PPL Corp.	PPL	Baa2	BBB	NYSE	A-	0.65
Pinnacle West Capital	PNW	Baa2	BBB-	NYSE	B	0.70
Progress Energy, Inc.	PGN	A3	BBB+	NYSE	B	0.60
Public Serv. Enterprise Inc.	PEG	Baa1	BBB	NYSE	B+	0.80
SCANA Corp.	SCG	Baa1	BBB+	NYSE	B+	0.70
Sempra Energy	SRE	A2	A	NYSE	A-	0.80
Southern Co.	SO	A3	A	NYSE	A-	0.55
TECO Energy	TE	Baa1	BBB	NYSE	B	0.85
Wisconsin Energy Corp.	WEC	A2	A-	NYSE	A	0.60
Xcel Energy Inc	XEL	A3	A-	NYSE	B	0.65
Average for S&P Utilities		<u>Baa1</u>	<u>BBB+</u>		<u>B+</u>	<u>0.76</u>

Note: <sup>(1)</sup> Ratings are those of utility subsidiaries

Source of Information: Moody's Investors Service  
Standard & Poor's Corporation  
Standard & Poor's Stock Guide  
Value Line Investment Survey for Windows

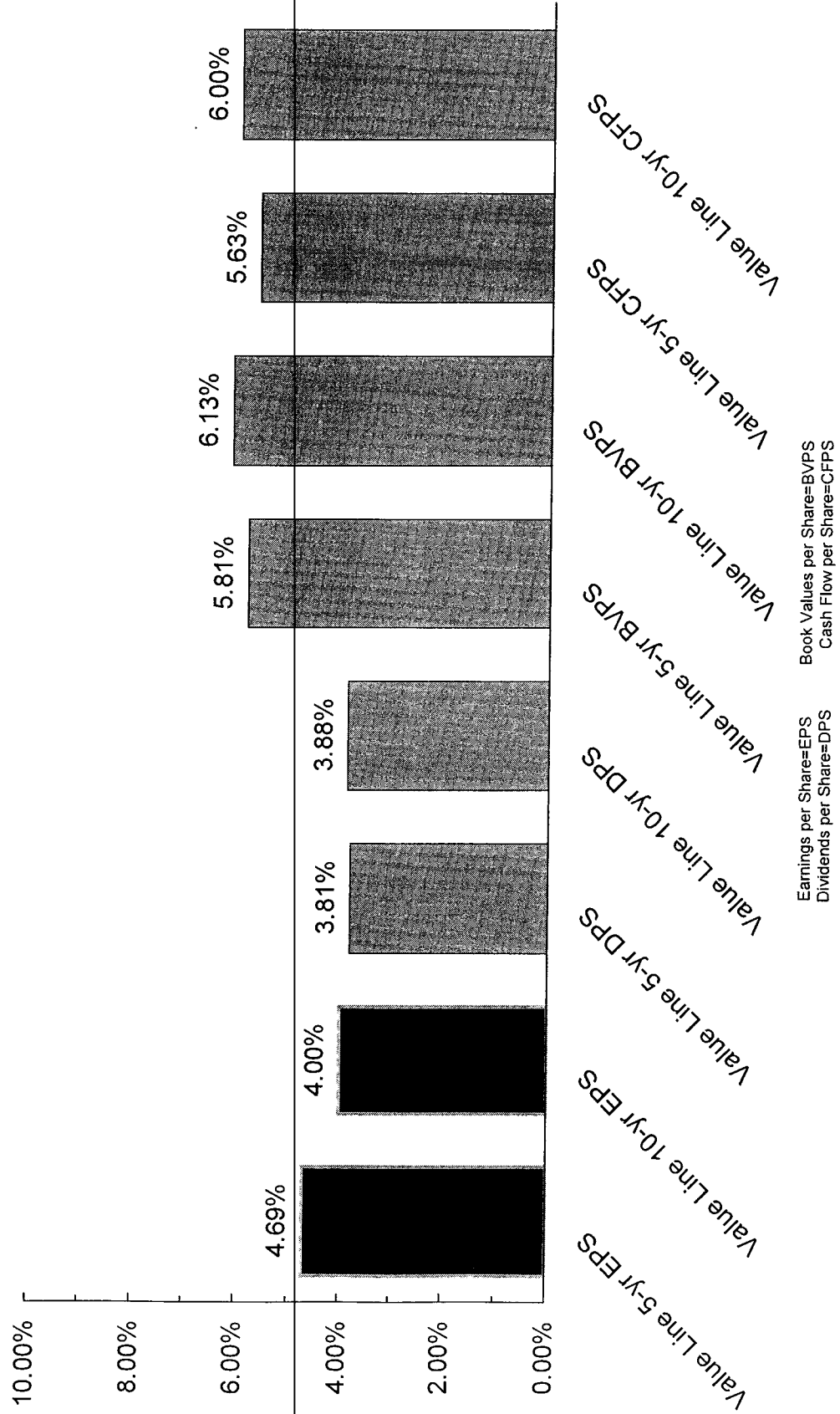
# Water Group

## Monthly Dividend Yields



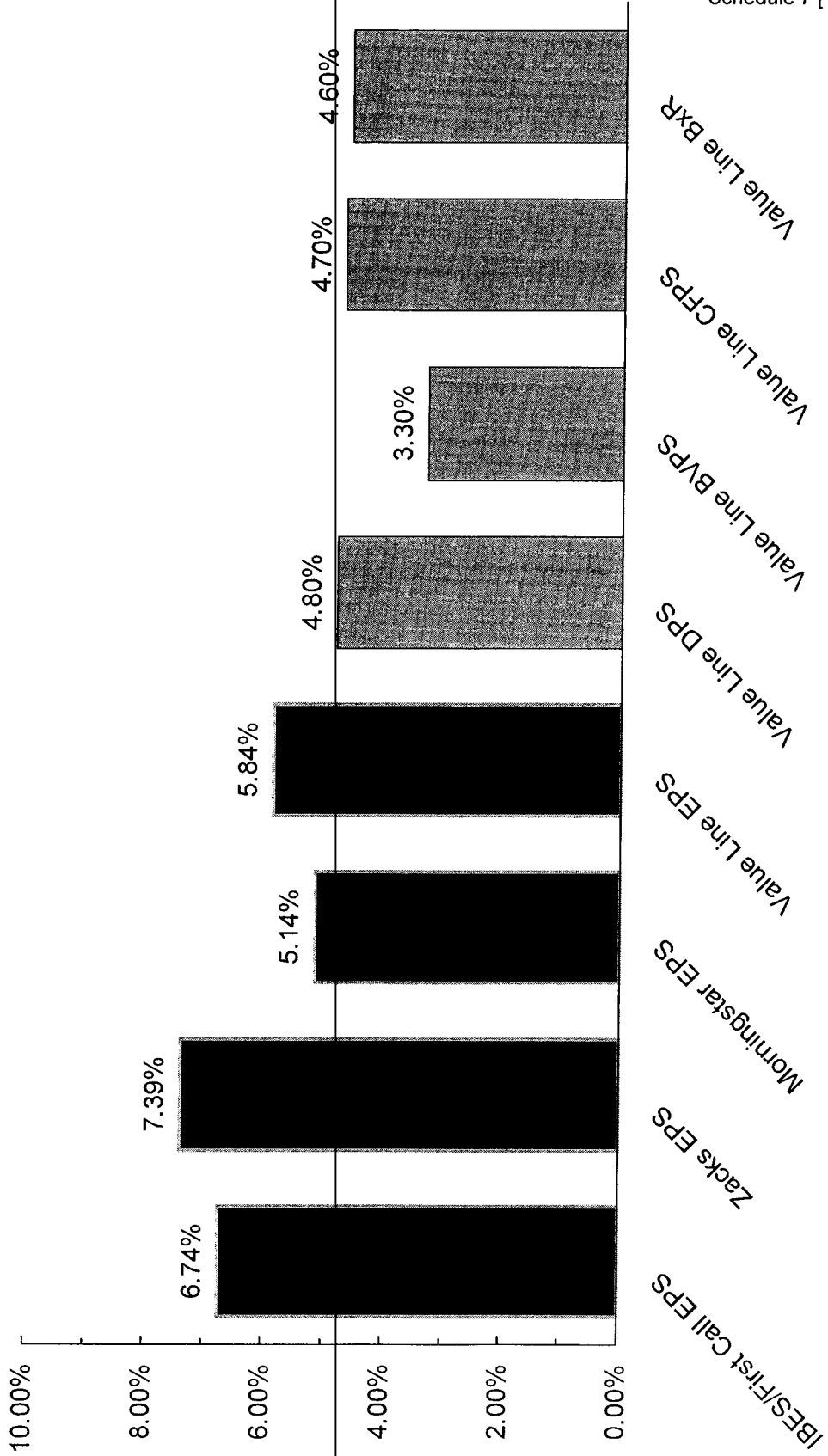
# Water Group

## Historical Growth Rates



# Water Group

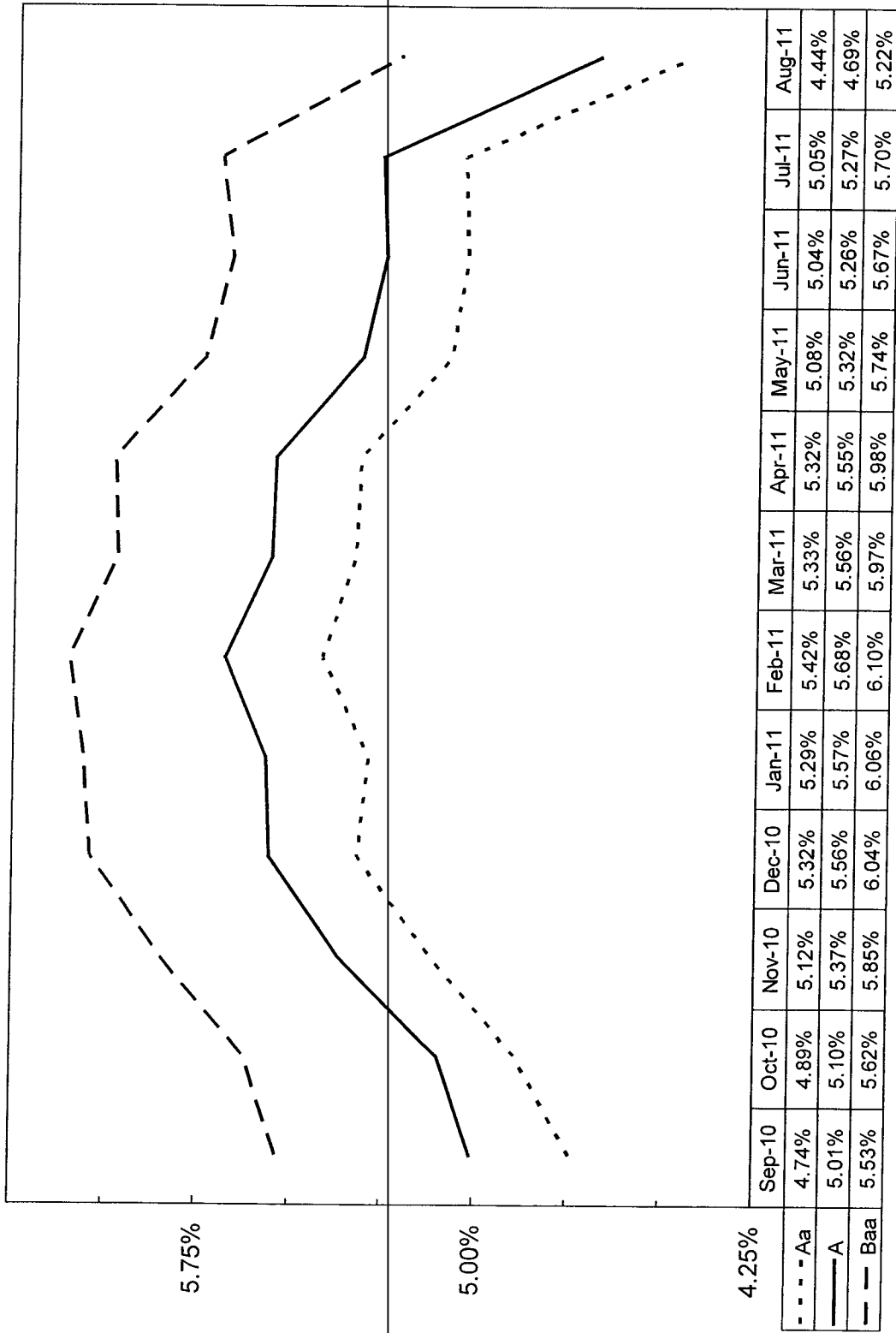
## Five-Year Projected Growth Rates



Earnings per Share=EPS    Book Values per Share=BVPS  
Dividends per Share=DPS    Cash Flow per Share=CFPS  
Percent Retained to Common Equity=BxR



# Interest Rates for Investment Grade Public Utility Bonds

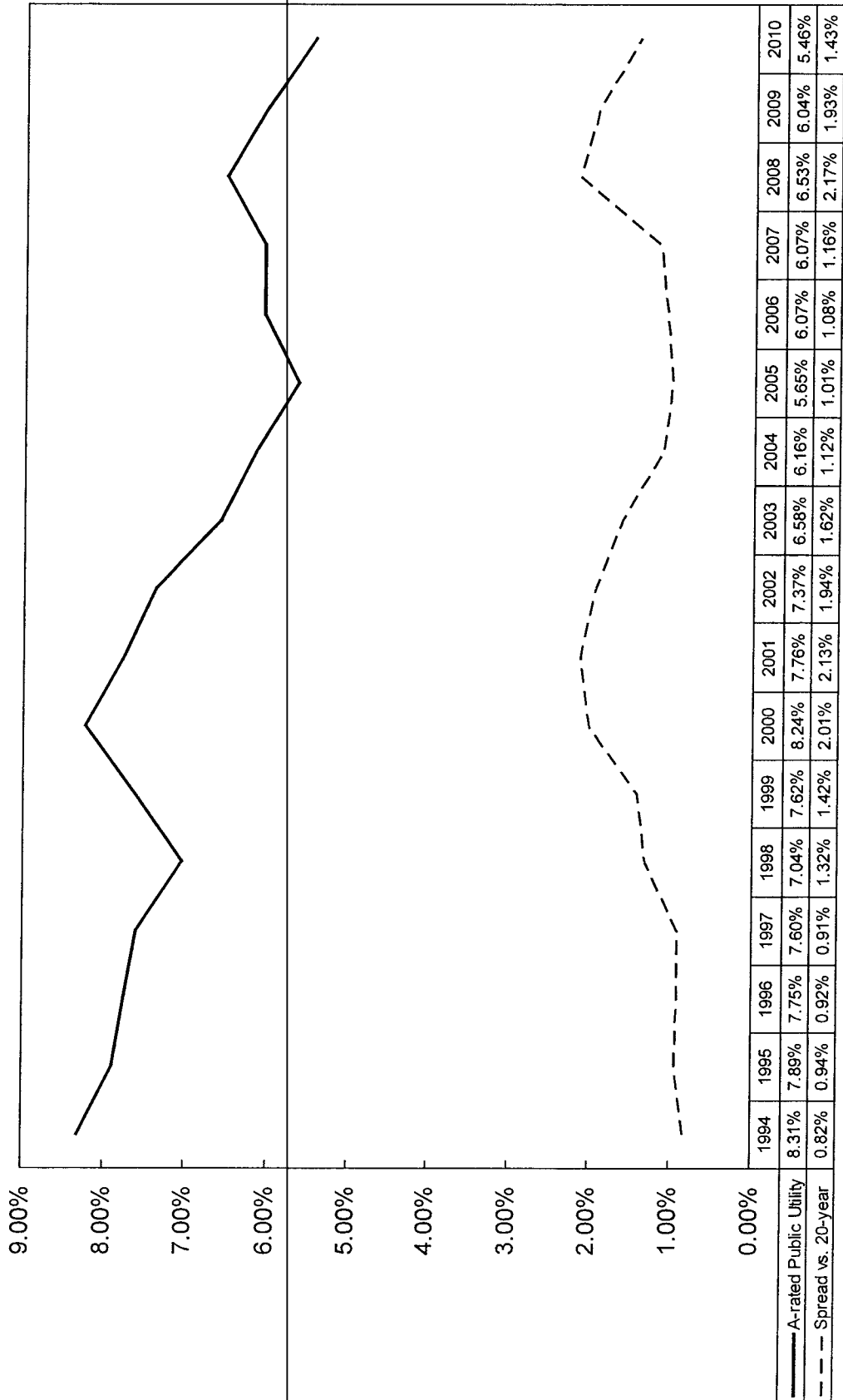


**Interest Rates for Investment Grade Public Utility Bonds  
Yearly for 2006-2010  
and the Twelve Months Ended August 2011**

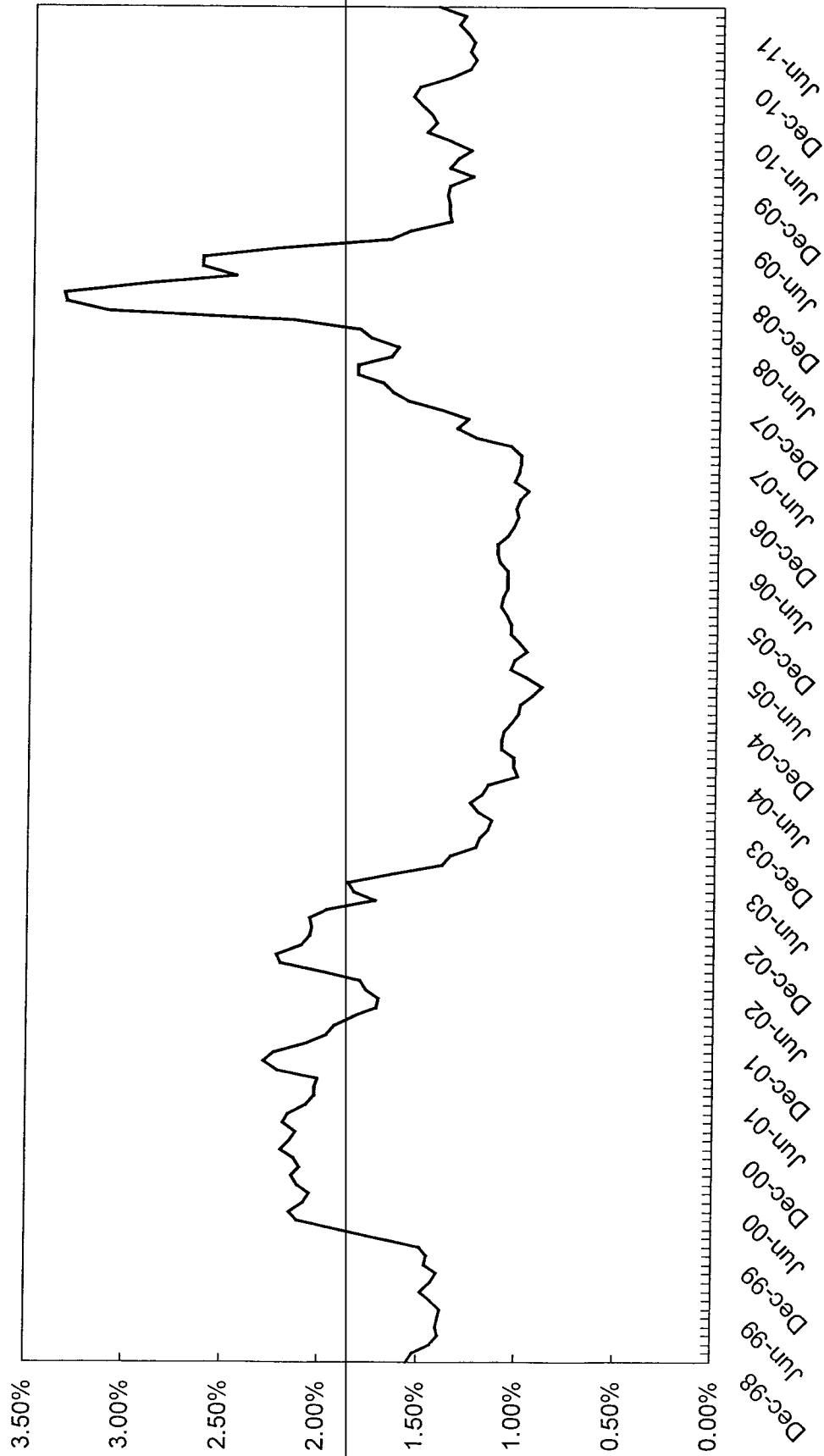
<u>Years</u>	<u>Aa Rated</u>	<u>A Rated</u>	<u>Baa Rated</u>	<u>Average</u>
2006	5.84%	6.07%	6.32%	6.08%
2007	5.94%	6.07%	6.33%	6.11%
2008	6.18%	6.53%	7.24%	6.65%
2009	5.75%	6.04%	7.06%	6.28%
2010	5.24%	5.46%	5.96%	5.55%
<b>Five-Year Average</b>	<u>5.79%</u>	<u>6.03%</u>	<u>6.58%</u>	<u>6.13%</u>
<b><u>Months</u></b>				
Sep-10	4.74%	5.01%	5.53%	5.10%
Oct-10	4.89%	5.10%	5.62%	5.20%
Nov-10	5.12%	5.37%	5.85%	5.45%
Dec-10	5.32%	5.56%	6.04%	5.64%
Jan-11	5.29%	5.57%	6.06%	5.64%
Feb-11	5.42%	5.68%	6.10%	5.73%
Mar-11	5.33%	5.56%	5.97%	5.62%
Apr-11	5.32%	5.55%	5.98%	5.62%
May-11	5.08%	5.32%	5.74%	5.38%
Jun-11	5.04%	5.26%	5.67%	5.33%
Jul-11	5.05%	5.27%	5.70%	5.34%
Aug-11	4.44%	4.69%	5.22%	4.78%
<b>Twelve-Month Average</b>	<u>5.09%</u>	<u>5.33%</u>	<u>5.79%</u>	<u>5.40%</u>
<b>Six-Month Average</b>	<u>5.04%</u>	<u>5.28%</u>	<u>5.71%</u>	<u>5.35%</u>
<b>Three-Month Average</b>	<u>4.84%</u>	<u>5.07%</u>	<u>5.53%</u>	<u>5.15%</u>

Source: Mergent Bond Record

# Yields on A-rated Public Utility Bonds and Spreads over 20-Year Treasuries



# Interest Rate Spreads A-rated Public Utility Bonds over 20-Year Treasuries



A-rated Public Utility Bonds over 20-Year Treasuries

Year	A-rated Public Utility	20-Year Treasuries		Year	A-rated Public Utility	20-Year Treasuries		Year	A-rated Public Utility	20-Year Treasuries	
		Yield	Spread			Yield	Spread			Yield	Spread
Dec-98	6.91%	5.36%	1.55%								
Jan-99	6.97%	5.45%	1.52%	Jan-04	6.15%	5.01%	1.14%	Jan-09	6.39%	3.46%	2.93%
Feb-99	7.09%	5.66%	1.43%	Feb-04	6.15%	4.94%	1.21%	Feb-09	6.30%	3.83%	2.47%
Mar-99	7.26%	5.87%	1.39%	Mar-04	5.97%	4.72%	1.25%	Mar-09	6.42%	3.78%	2.64%
Apr-99	7.22%	5.82%	1.40%	Apr-04	6.35%	5.16%	1.19%	Apr-09	6.48%	3.84%	2.64%
May-99	7.47%	6.08%	1.39%	May-04	6.62%	5.46%	1.16%	May-09	6.49%	4.22%	2.27%
Jun-99	7.74%	6.36%	1.38%	Jun-04	6.46%	5.45%	1.01%	Jun-09	6.20%	4.51%	1.69%
Jul-99	7.71%	6.28%	1.43%	Jul-04	6.27%	5.24%	1.03%	Jul-09	5.97%	4.38%	1.59%
Aug-99	7.91%	6.43%	1.48%	Aug-04	6.14%	5.07%	1.07%	Aug-09	5.71%	4.33%	1.38%
Sep-99	7.93%	6.50%	1.43%	Sep-04	5.98%	4.89%	1.09%	Sep-09	5.53%	4.14%	1.39%
Oct-99	8.06%	6.66%	1.40%	Oct-04	5.94%	4.85%	1.09%	Oct-09	5.55%	4.16%	1.39%
Nov-99	7.94%	6.48%	1.46%	Nov-04	5.97%	4.89%	1.08%	Nov-09	5.64%	4.24%	1.40%
Dec-99	8.14%	6.69%	1.45%	Dec-04	5.92%	4.88%	1.04%	Dec-09	5.79%	4.40%	1.39%
Jan-00	8.35%	6.86%	1.49%	Jan-05	5.78%	4.77%	1.01%	Jan-10	5.77%	4.50%	1.27%
Feb-00	8.25%	6.54%	1.71%	Feb-05	5.61%	4.61%	1.00%	Feb-10	5.87%	4.48%	1.39%
Mar-00	8.28%	6.38%	1.90%	Mar-05	5.83%	4.89%	0.94%	Mar-10	5.84%	4.49%	1.35%
Apr-00	8.29%	6.18%	2.11%	Apr-05	5.64%	4.75%	0.89%	Apr-10	5.81%	4.53%	1.28%
May-00	8.70%	6.55%	2.15%	May-05	5.53%	4.56%	0.97%	May-10	5.50%	4.11%	1.39%
Jun-00	8.36%	6.28%	2.08%	Jun-05	5.40%	4.35%	1.05%	Jun-10	5.46%	3.95%	1.51%
Jul-00	8.25%	6.20%	2.05%	Jul-05	5.51%	4.48%	1.03%	Jul-10	5.26%	3.80%	1.46%
Aug-00	8.13%	6.02%	2.11%	Aug-05	5.50%	4.53%	0.97%	Aug-10	5.01%	3.52%	1.49%
Sep-00	8.23%	6.09%	2.14%	Sep-05	5.52%	4.51%	1.01%	Sep-10	5.01%	3.47%	1.54%
Oct-00	8.14%	6.04%	2.10%	Oct-05	5.79%	4.74%	1.05%	Oct-10	5.10%	3.52%	1.58%
Nov-00	8.11%	5.98%	2.13%	Nov-05	5.88%	4.83%	1.05%	Nov-10	5.37%	3.82%	1.55%
Dec-00	7.84%	5.64%	2.20%	Dec-05	5.80%	4.73%	1.07%	Dec-10	5.56%	4.17%	1.39%
Jan-01	7.80%	5.65%	2.15%	Jan-06	5.75%	4.65%	1.10%	Jan-11	5.57%	4.28%	1.29%
Feb-01	7.74%	5.62%	2.12%	Feb-06	5.82%	4.73%	1.09%	Feb-11	5.68%	4.42%	1.26%
Mar-01	7.68%	5.49%	2.19%	Mar-06	5.98%	4.91%	1.07%	Mar-11	5.56%	4.27%	1.29%
Apr-01	7.94%	5.78%	2.16%	Apr-06	6.29%	5.22%	1.07%	Apr-11	5.55%	4.28%	1.27%
May-01	7.99%	5.92%	2.07%	May-06	6.42%	5.35%	1.07%	May-11	5.32%	4.02%	1.30%
Jun-01	7.85%	5.82%	2.03%	Jun-06	6.40%	5.29%	1.11%	Jun-11	5.26%	3.91%	1.35%
Jul-01	7.78%	5.75%	2.03%	Jul-06	6.37%	5.25%	1.12%	Jul-11	5.27%	3.95%	1.32%
Aug-01	7.59%	5.58%	2.01%	Aug-06	6.20%	5.08%	1.12%	Aug-11	4.69%	3.24%	1.45%
Sep-01	7.75%	5.53%	2.22%	Sep-06	6.00%	4.93%	1.07%				
Oct-01	7.63%	5.34%	2.29%	Oct-06	5.98%	4.94%	1.04%				
Nov-01	7.57%	5.33%	2.24%	Nov-06	5.80%	4.78%	1.02%				
Dec-01	7.83%	5.76%	2.07%	Dec-06	5.81%	4.78%	1.03%				
Jan-02	7.66%	5.69%	1.97%	Jan-07	5.96%	4.95%	1.01%	Average			
Feb-02	7.54%	5.61%	1.93%	Feb-07	5.90%	4.93%	0.97%	12-months			1.38%
Mar-02	7.76%	5.93%	1.83%	Mar-07	5.85%	4.81%	1.04%	6-months			1.33%
Apr-02	7.57%	5.85%	1.72%	Apr-07	5.97%	4.95%	1.02%	3-months			1.37%
May-02	7.52%	5.81%	1.71%	May-07	5.99%	4.98%	1.01%				
Jun-02	7.42%	5.65%	1.77%	Jun-07	6.30%	5.29%	1.01%				
Jul-02	7.31%	5.51%	1.80%	Jul-07	6.25%	5.19%	1.06%				
Aug-02	7.17%	5.19%	1.98%	Aug-07	6.24%	5.00%	1.24%				
Sep-02	7.08%	4.87%	2.21%	Sep-07	6.18%	4.84%	1.34%				
Oct-02	7.23%	5.00%	2.23%	Oct-07	6.11%	4.83%	1.28%				
Nov-02	7.14%	5.04%	2.10%	Nov-07	5.97%	4.56%	1.41%				
Dec-02	7.07%	5.01%	2.06%	Dec-07	6.16%	4.57%	1.59%				
Jan-03	7.07%	5.02%	2.05%	Jan-08	6.02%	4.35%	1.67%				
Feb-03	6.93%	4.87%	2.06%	Feb-08	6.21%	4.49%	1.72%				
Mar-03	6.79%	4.82%	1.97%	Mar-08	6.21%	4.36%	1.85%				
Apr-03	6.64%	4.91%	1.73%	Apr-08	6.29%	4.44%	1.85%				
May-03	6.36%	4.52%	1.84%	May-08	6.28%	4.60%	1.68%				
Jun-03	6.21%	4.34%	1.87%	Jun-08	6.38%	4.74%	1.64%				
Jul-03	6.57%	4.92%	1.65%	Jul-08	6.40%	4.62%	1.78%				
Aug-03	6.78%	5.39%	1.39%	Aug-08	6.37%	4.53%	1.84%				
Sep-03	6.56%	5.21%	1.35%	Sep-08	6.49%	4.32%	2.17%				
Oct-03	6.43%	5.21%	1.22%	Oct-08	7.56%	4.45%	3.11%				
Nov-03	6.37%	5.17%	1.20%	Nov-08	7.60%	4.27%	3.33%				
Dec-03	6.27%	5.11%	1.16%	Dec-08	6.52%	3.18%	3.34%				

S&P Composite Index and S&P Public Utility Index  
Long-Term Corporate and Public Utility Bonds  
Yearly Total Returns  
1928-2007

Year	S & P Composite Index	S & P Public Utility Index	Long Term Corporate Bonds	Public Utility Bonds
1928	43.61%	57.47%	2.84%	3.08%
1929	-8.42%	11.02%	3.27%	2.34%
1930	-24.90%	-21.96%	7.98%	4.74%
1931	-43.34%	-35.90%	-1.85%	-11.11%
1932	-8.19%	-0.54%	10.82%	7.25%
1933	53.99%	-21.87%	10.38%	-3.82%
1934	-1.44%	-20.41%	13.84%	22.61%
1935	47.67%	76.63%	9.61%	16.03%
1936	33.92%	20.69%	6.74%	8.30%
1937	-35.03%	-37.04%	2.75%	-4.05%
1938	31.12%	22.45%	6.13%	8.11%
1939	-0.41%	11.26%	3.97%	6.76%
1940	-9.78%	-17.15%	3.39%	4.45%
1941	-11.59%	-31.57%	2.73%	2.15%
1942	20.34%	15.39%	2.60%	3.81%
1943	25.90%	46.07%	2.83%	7.04%
1944	19.75%	18.03%	4.73%	3.29%
1945	36.44%	53.33%	4.08%	5.92%
1946	-8.07%	1.26%	1.72%	2.98%
1947	5.71%	-13.16%	-2.34%	-2.19%
1948	5.50%	4.01%	4.14%	2.65%
1949	18.79%	31.39%	3.31%	7.16%
1950	31.71%	3.25%	2.12%	2.01%
1951	24.02%	18.63%	-2.69%	-2.77%
1952	18.37%	19.25%	3.52%	2.99%
1953	-0.99%	7.85%	3.41%	2.08%
1954	52.62%	24.72%	5.39%	7.57%
1955	31.56%	11.26%	0.48%	0.12%
1956	6.56%	5.06%	-6.81%	-6.25%
1957	-10.78%	6.36%	8.71%	3.58%
1958	43.36%	40.70%	-2.22%	0.18%
1959	11.96%	7.49%	-0.97%	-2.29%
1960	0.47%	20.26%	9.07%	9.01%
1961	26.89%	29.33%	4.82%	4.65%
1962	-8.73%	-2.44%	7.95%	6.55%
1963	22.80%	12.36%	2.19%	3.44%
1964	16.48%	15.91%	4.77%	4.94%
1965	12.45%	4.67%	-0.46%	0.50%
1966	-10.06%	-4.48%	0.20%	-3.45%
1967	23.98%	-0.63%	-4.95%	-3.63%
1968	11.06%	10.32%	2.57%	1.87%
1969	-8.50%	-15.42%	-8.09%	-6.66%
1970	4.01%	16.56%	18.37%	15.90%
1971	14.31%	2.41%	11.01%	11.59%
1972	18.98%	8.15%	7.26%	7.19%
1973	-14.66%	-18.07%	1.14%	2.42%
1974	-26.47%	-21.55%	-3.06%	-5.28%
1975	37.20%	44.49%	14.64%	15.50%
1976	23.84%	31.81%	18.65%	19.04%
1977	-7.18%	8.64%	1.71%	5.22%
1978	6.56%	-3.71%	-0.07%	-0.98%
1979	18.44%	13.58%	-4.18%	-2.75%
1980	32.42%	15.08%	-2.76%	-0.23%
1981	-4.91%	11.74%	-1.24%	4.27%
1982	21.41%	26.52%	42.56%	33.52%
1983	22.51%	20.01%	6.26%	10.33%
1984	6.27%	26.04%	16.86%	14.82%
1985	32.16%	33.05%	30.09%	26.48%
1986	18.47%	28.53%	19.85%	18.16%
1987	5.23%	-2.92%	-0.27%	3.02%
1988	16.81%	18.27%	10.70%	10.19%
1989	31.49%	47.80%	16.23%	15.61%
1990	-3.17%	-2.57%	6.78%	8.13%
1991	30.55%	14.61%	19.89%	19.25%
1992	7.67%	8.10%	9.39%	8.65%
1993	9.99%	14.41%	13.19%	10.59%
1994	1.31%	-7.94%	-5.76%	-4.72%
1995	37.43%	42.15%	27.20%	22.81%
1996	23.07%	3.14%	1.40%	3.04%
1997	33.36%	24.69%	12.95%	11.39%
1998	28.58%	14.82%	10.76%	9.44%
1999	21.04%	-8.85%	-7.45%	-1.69%
2000	-9.11%	59.70%	12.87%	9.45%
2001	-11.88%	-30.41%	10.65%	5.85%
2002	-22.10%	-30.04%	16.33%	1.63%
2003	28.70%	26.11%	5.27%	10.01%
2004	10.87%	24.22%	8.72%	6.03%
2005	4.91%	16.79%	5.87%	3.02%
2006	15.80%	20.95%	3.24%	3.94%
2007	5.49%	19.39%	2.60%	5.20%
Geometric Mean	10.04%	8.92%	5.81%	5.45%
Arithmetic Mean	11.95%	11.24%	6.13%	5.72%
Standard Deviation	20.02%	22.43%	8.52%	7.84%
Median	13.38%	12.05%	4.11%	4.55%

**Tabulation of Risk Rate Differentials for  
S&P Public Utility Index and Public Utility Bonds  
For the Years 1928-2007, 1952-2007, 1974-2007, and 1979-2007**

<b>Total Returns</b>	<b>Range</b>		<b>Midpoint</b>	<b>Point Estimate</b>	<b>Average of the Midpoint of Range and Point Estimate</b>
	<b>Geometric Mean</b>	<b>Median</b>		<b>Arithmetic Mean</b>	
<b><u>1928-2007</u></b>					
S&P Public Utility Index	8.92%	12.05%		11.24%	
Public Utility Bonds	<u>5.45%</u>	<u>4.55%</u>		<u>5.72%</u>	
Risk Differential	<u>3.47%</u>	<u>7.50%</u>	<u>5.49%</u>	<u>5.52%</u>	<u>5.51%</u>
<b><u>1952-2007</u></b>					
S&P Public Utility Index	11.14%	14.00%		12.65%	
Public Utility Bonds	<u>6.15%</u>	<u>5.07%</u>		<u>6.45%</u>	
Risk Differential	<u>4.99%</u>	<u>8.93%</u>	<u>6.96%</u>	<u>6.20%</u>	<u>6.58%</u>
<b><u>1974-2007</u></b>					
S&P Public Utility Index	12.98%	15.94%		14.90%	
Public Utility Bonds	<u>8.45%</u>	<u>8.39%</u>		<u>8.79%</u>	
Risk Differential	<u>4.53%</u>	<u>7.55%</u>	<u>6.04%</u>	<u>6.11%</u>	<u>6.08%</u>
<b><u>1979-2007</u></b>					
S&P Public Utility Index	13.62%	16.79%		15.41%	
Public Utility Bonds	<u>8.83%</u>	<u>8.65%</u>		<u>9.15%</u>	
Risk Differential	<u>4.79%</u>	<u>8.14%</u>	<u>6.47%</u>	<u>6.26%</u>	<u>6.37%</u>

**Value Line Betas**

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**Water Group**

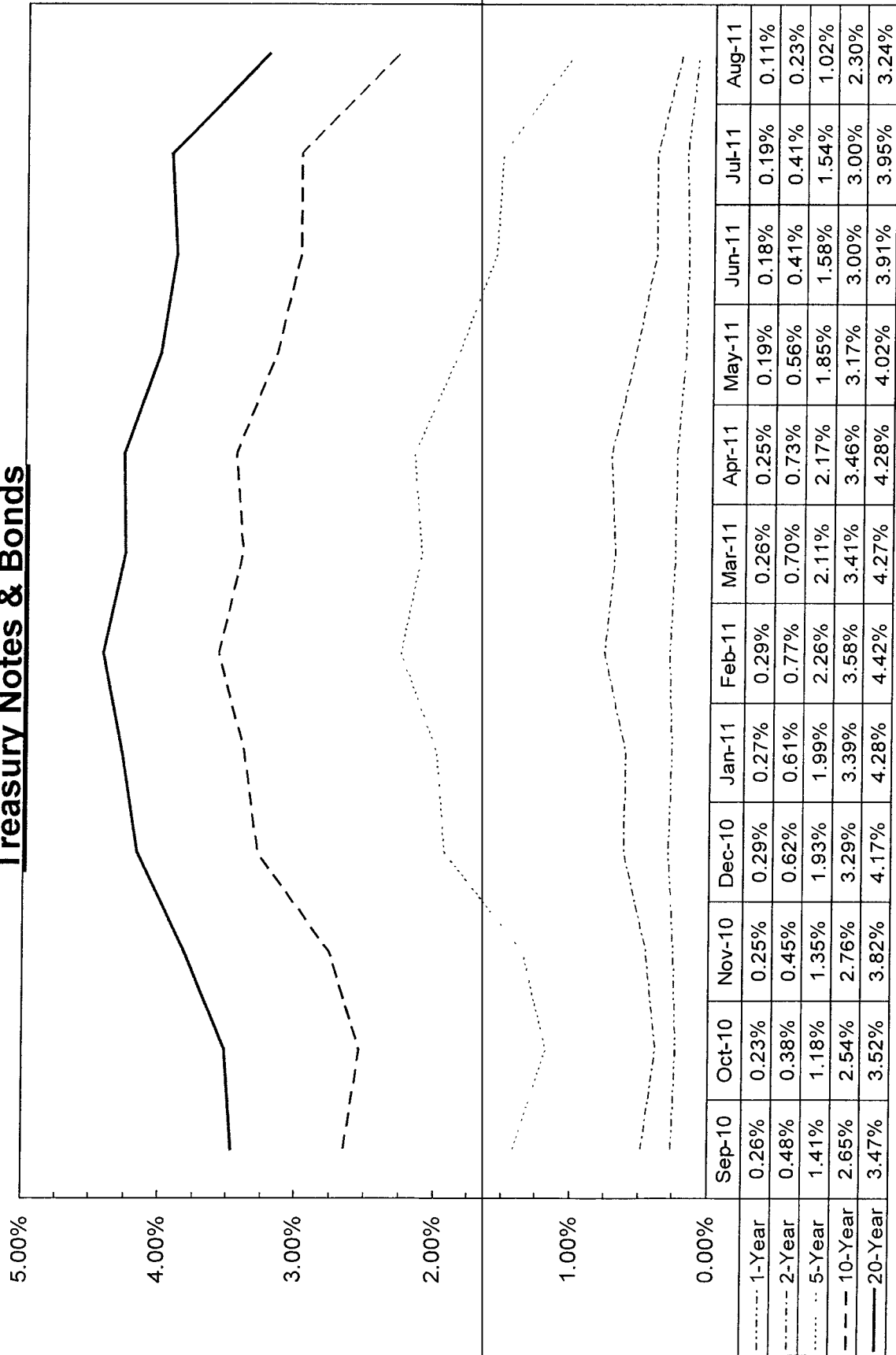
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American States Water	0.75
American Water Works Co.	0.65
Aqua America, Inc.	0.65
Artesian Resources Corporation	0.60
California Water Serv. Grp.	0.70
Connecticut Water Services	0.80
Middlesex Water Company	0.75
SJW Corporation	0.90
York Water Company	<u>0.70</u>
<b>Average</b>	<u><u>0.72</u></u>

Source of Information:  
The Value Line Investment Survey  
July 22, 2011



## Yields on Treasury Notes & Bonds



**Yields for Treasury Constant Maturities  
Yearly for 2006-2010  
and the Twelve Months Ended August 2011**

<u>Years</u>	<u>1-Year</u>	<u>2-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>7-Year</u>	<u>10-Year</u>	<u>20-Year</u>
2006	4.93%	4.82%	4.77%	4.75%	4.76%	4.79%	4.99%
2007	4.52%	4.36%	4.34%	4.43%	4.50%	4.63%	4.91%
2008	1.82%	2.00%	2.24%	2.80%	3.17%	3.67%	4.36%
2009	0.47%	0.96%	1.43%	2.19%	2.81%	3.26%	4.11%
2010	0.32%	0.70%	1.11%	1.93%	2.62%	3.21%	4.03%
<b>Five-Year Average</b>	<u>2.41%</u>	<u>2.57%</u>	<u>2.78%</u>	<u>3.22%</u>	<u>3.57%</u>	<u>3.91%</u>	<u>4.48%</u>
<b>Months</b>							
Sep-10	0.26%	0.48%	0.74%	1.41%	2.05%	2.65%	3.47%
Oct-10	0.23%	0.38%	0.57%	1.18%	1.85%	2.54%	3.52%
Nov-10	0.25%	0.45%	0.67%	1.35%	2.02%	2.76%	3.82%
Dec-10	0.29%	0.62%	0.99%	1.93%	2.66%	3.29%	4.17%
Jan-11	0.27%	0.61%	1.03%	1.99%	2.72%	3.39%	4.28%
Feb-11	0.29%	0.77%	1.28%	2.26%	2.96%	3.58%	4.42%
Mar-11	0.26%	0.70%	1.17%	2.11%	2.80%	3.41%	4.27%
Apr-11	0.25%	0.73%	1.21%	2.17%	2.84%	3.46%	4.28%
May-11	0.19%	0.56%	0.94%	1.85%	2.52%	3.17%	4.02%
Jun-11	0.18%	0.41%	0.71%	1.58%	2.29%	3.00%	3.91%
Jul-11	0.19%	0.41%	0.68%	1.54%	2.28%	3.00%	3.95%
Aug-11	0.11%	0.23%	0.38%	1.02%	1.63%	2.30%	3.24%
<b>Twelve-Month Average</b>	<u>0.23%</u>	<u>0.53%</u>	<u>0.86%</u>	<u>1.70%</u>	<u>2.39%</u>	<u>3.05%</u>	<u>3.95%</u>
<b>Six-Month Average</b>	<u>0.20%</u>	<u>0.51%</u>	<u>0.85%</u>	<u>1.71%</u>	<u>2.39%</u>	<u>3.06%</u>	<u>3.94%</u>
<b>Three-Month Average</b>	<u>0.16%</u>	<u>0.35%</u>	<u>0.59%</u>	<u>1.38%</u>	<u>2.07%</u>	<u>2.77%</u>	<u>3.70%</u>

Source: Federal Reserve statistical release H.15

**Measures of the Risk-Free Rate & Corporate Bond Yields**

The forecast of Treasury and Corporate yields  
per the consensus of nearly 50 economists  
reported in the Blue Chip Financial Forecasts dated September 1, 2011

Year	Quarter	Treasury					Corporate	
		1-Year Bill	2-Year Note	5-Year Note	10-Year Note	30-Year Bond	Aaa Bond	Baa Bond
2011	Third	0.2%	0.3%	1.2%	2.5%	3.8%	4.5%	5.5%
2011	Fourth	0.2%	0.3%	1.2%	2.5%	3.8%	4.5%	5.4%
2012	First	0.2%	0.4%	1.4%	2.7%	3.9%	4.6%	5.5%
2012	Second	0.3%	0.5%	1.5%	2.8%	4.0%	4.6%	5.6%
2012	Third	0.3%	0.6%	1.6%	2.9%	4.1%	4.7%	5.7%
2012	Fourth	0.4%	0.8%	1.8%	3.1%	4.2%	4.9%	5.8%

September 9, 2011

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The Median of Estimated  
**PRICE-EARNINGS RATIOS**  
of all stocks with earnings

**13.9**

<b>26 Weeks Ago</b>	<b>Market Low</b>	<b>Market High</b>
16.3	3-9-09 10.3	7-13-07 19.7

The Median of Estimated  
**DIVIDEND YIELDS**  
(next 12 months) of all dividend  
paying stocks under review

**2.3%**

<b>26 Weeks Ago</b>	<b>Market Low</b>	<b>Market High</b>
1.9%	3-9-09 4.0%	7-13-07 1.6%

The Estimated Median Price  
**APPRECIATION POTENTIAL**  
of all 1700 stocks in the hypothesized  
economic environment 3 to 5 years hence

**80%**

<b>26 Weeks Ago</b>	<b>Market Low</b>	<b>Market High</b>
55%	3-9-09 185%	7-13-07 35%

**ANALYSES OF INDUSTRIES IN ALPHABETICAL ORDER WITH PAGE NUMBER**

Numeral in parenthesis after the industry is rank for probable performance (next 12 months).

PAGE	PAGE	PAGE	PAGE
Advertising (46) ..... 2376	Electric Utility (West) (29) ..... 2236	Machinery (50) ..... 1701	Railroad (12) ..... 337
Aerospace/Defense (20) ..... 701	Electronics (11) ..... 1319	Maritime (92) ..... 329	R.E.I.T. (93) ..... 1512
Air Transport (52) ..... 301	Engineering & Const (51) ..... 1229	Medical Services (8) ..... 793	Recreation (63) ..... 2301
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*Chemical (Specialty) (27) ..... 554	Hotel/Gaming (61) ..... 2337	Paper/Forest Products (32) ..... 1157	Shoe (71) ..... 2154
*Coal (21) ..... 601	Household Products (87) ..... 1182	*Petroleum (Integrated) (2) ..... 501	Steel (15) ..... 738
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\*Reviewed in this week's issue.

In three parts: This is Part 1, the Summary & Index. Part 2 is Selection & Opinion. Part 3 is Ratings & Reports. Volume LXVII, No. 3.

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See back cover for important disclosures.

**Table 2-1: Basic Series: Summary Statistics of Annual Total Returns**

Series	Geometric Mean (%)	Arithmetic Mean (%)	Standard Deviation (%)	Distribution (%)
Large Company Stocks	9.9	11.9	20.4	
Small Company Stocks*	12.1	16.7	32.6	
Long-Term Corporate Bonds	5.9	6.2	8.3	
Long-Term Government Bonds	5.5	5.9	9.5	
Intermediate-Term Government Bonds	5.4	5.5	5.7	
U.S. Treasury Bills	3.6	3.7	3.1	
Inflation	3.0	3.1	4.2	

Data from 1926-2010. \* The 1933 Small Company Stocks Total Return was 142.9 percent

**Table 10-1: Building Blocks for Expected Return Construction**

	Value (%)
<b>Yields (Riskless Rates)<sup>1</sup></b>	
Long-Term (20-year) U.S. Treasury Coupon Bond Yield	4.1
Intermediate-Term (5-year) U.S. Treasury Coupon Note Yield	1.7
Short-Term (30-day) U.S. Treasury Bill Yield	0.1
<b>Fixed Income Risk Premia<sup>2, 3</sup></b>	
Expected default premium: <i>long-term corporate bond total returns minus long-term government bond total returns</i>	0.1
Expected long-term horizon premium: <i>long-term government bond income returns minus U.S. Treasury bill total returns<sup>4</sup></i>	1.7
Expected intermediate-term horizon premium: <i>intermediate-term government bond income returns minus U.S. Treasury bill total returns<sup>4</sup></i>	1.1
<b>Equity Risk Premia<sup>1, 5</sup></b>	
Long-horizon expected equity risk premium: <i>large company stock total returns minus long-term government bond income returns</i>	6.7
Intermediate-horizon expected equity risk premium: <i>large company stock total returns minus intermediate-term government bond income returns</i>	7.2
Short-horizon expected equity risk premium: <i>large company stock total returns minus U.S. Treasury bill total returns<sup>4</sup></i>	8.2
Small Stock Premium: <i>small company stock total return minus large company stock total return</i>	4.9

<sup>1</sup> As of December 31, 2010. Maturities are approximate.

<sup>2</sup> Expected risk premia for fixed income are based on the differences of historical arithmetic mean returns from 1970-2010.

<sup>3</sup> Expected risk premia for equities are based on the differences of historical arithmetic mean returns from 1926-2010

<sup>4</sup> For U.S. Treasury bills, the income return and total return are the same.

**Comparable Earnings Approach**  
Using All Value Line Non-Utility Companies with  
Timeliness of 1, 2, 3 & 4, Safety Rank of 2 & 3, Financial Strength of B, B+ & B++,  
Price Stability of 70 to 100, Beta of .60 to .90, and Technical Rank of 3 & 4

Company	Industry	Timeliness Rank	Safety Rank	Financial Strength	Price Stability	Beta	Technical Rank
ABM Industries Inc	INDUSRV	4	3	B++	70	0.90	3
ADTRAN Inc	TELEQUIP	3	3	B++	80	0.85	3
Activision Blizzard	ENTTECH	4	3	B+	70	0.75	3
Advance Auto Parts	RETAUTO	2	3	B+	75	0.85	3
Alexion Pharmac	DRUG	3	3	B+	75	0.80	4
Alliant Techsystems	DEFENSE	3	3	B+	95	0.80	3
AmerisourceBergen	MEDICNON	2	2	B++	100	0.70	3
Analogic Corp	INSTRMNT	3	3	B+	70	0.80	3
AplarGroup	PACKAGE	2	2	B++	90	0.90	3
AutoZone Inc	RETAUTO	2	3	B	90	0.70	3
Bio-Rad Labs 'A'	MEDICNON	3	3	B++	80	0.90	3
Block (H&R)	FINSERV	3	3	B+	70	0.85	3
CA Inc	SOFTWARE	2	2	B++	90	0.90	3
CACI Int'l	ITSERV	1	3	B++	85	0.80	3
CLARCOR Inc	PACKAGE	3	3	B++	80	0.90	4
Casey's Gen'l Stores	GROCERY	2	3	B+	80	0.70	3
Charles River	MEDICNON	3	2	B++	80	0.90	4
Chemed Corp	DIVERSIF	3	3	B+	75	0.80	3
Cintas Corp	INDUSRV	3	2	B++	85	0.90	3
Clean Harbors	ENVIRONM	3	3	B++	85	0.75	4
Coca-Cola Bottling	BEVERAGE	2	3	B	80	0.70	3
Computer Prog & Sys	HLTHSYS	3	3	B+	70	0.75	3
Compuware Corp	SOFTWARE	4	3	B+	70	0.90	4
Conmed Corp	MEDICNV	3	3	B+	75	0.85	4
Core-Mark Holding	GROCERY	3	3	B+	80	0.85	4
Covanta Holding Corp	POWER	3	3	B	75	0.90	3
Dun & Bradstreet	INFOSER	3	3	B	100	0.75	3
Endo Pharmac Hldgs	DRUG	3	3	B++	80	0.70	3
Equifax Inc	INFOSER	3	2	B++	95	0.90	3
Erie Indemnity Co	INSPRPTY	4	2	B++	100	0.70	3
Forrester Research	INFOSER	4	3	B+	80	0.80	3
G&K Services 'A'	INDUSRV	3	3	B+	80	0.85	4
Gilead Sciences	DRUG	2	3	B+	90	0.65	3
Greatbatch Inc	ELECTRNX	2	3	B+	80	0.75	3
HCC Insurance Hldgs	INSPRPTY	4	3	B+	95	0.80	3
Haemonetics Corp	MEDICNON	3	2	B++	95	0.60	3
Hanover Insurance	INSPRPTY	4	2	B++	90	0.85	3
Hasbro Inc	RECREATE	4	2	B++	85	0.75	3
Healthcare Svcs	INDUSRV	3	3	B+	75	0.75	3
Henry (Jack) & Assoc	ITSERV	3	2	B++	95	0.85	3
Hillenbrand Inc	FUNL SVC	3	3	B++	85	0.60	3
Hospira Inc	DRUG	3	3	B+	90	0.70	3
Hudson City Bancorp	THRIFT	4	3	B	90	0.80	3
IHS Inc	INFOSER	4	3	B++	75	0.90	3
Informatica Corp	B2B	3	3	B++	75	0.90	4
Int'l Speedway 'A'	RECREATE	3	3	B+	80	0.90	3
Invacare Corp	MEDICNON	3	3	B+	75	0.75	3
Investors Bancorp	THRIFT	3	3	B+	90	0.75	3
J&J Snacks Foods	FOODPROC	3	2	B++	90	0.70	4
Knight Transportation	TRUCKING	3	3	B++	75	0.85	3
Life Technologies	MEDICNON	3	2	B++	85	0.85	3
MAXIMUS Inc	INDUSRV	3	2	B++	85	0.80	3
MTS Systems	INSTRMNT	2	3	B+	80	0.90	3
ManTech Int'l 'A'	ITSERV	2	3	B+	80	0.75	3
Matthews Int'l	FUNL SVC	3	3	B+	85	0.85	3
Mercury General	INSPRPTY	4	2	B++	95	0.70	3
Molson Coors Brewing	BEVERAGE	3	2	B++	90	0.60	3
Nash Finch Co	GROCERY	3	3	B	75	0.70	3
National Instruments	INSTRMNT	4	3	B++	85	0.90	3
NeuStar Inc	TELEQUIP	2	3	B++	75	0.90	3
New York Community	THRIFT	4	3	B	80	0.85	3
Northwest Bancshares	THRIFT	4	3	B+	90	0.75	3
Orbital Sciences	DEFENSE	3	3	B+	75	0.85	4
Papa John's Int'l	RESTRNT	2	3	B++	75	0.85	3
Peet's Coffee & Tea	FOODPROC	3	3	B++	70	0.75	3
People's United Fin'l	THRIFT	4	3	B+	95	0.65	3
Ferrigo Co	DRUG	3	3	B++	75	0.70	3
PelSmart Inc	RETAILHL	2	3	B+	80	0.80	3
Pharmac Product	DRUG	3	3	B++	75	0.85	3
Pitney Bowes	OFFICE	3	3	B+	85	0.90	3
Quest Diagnostics	MEDSERV	3	2	B++	95	0.70	3
Reynolds American	TOBACCO	4	2	B+	100	0.60	3
SAIC Inc	INDUSRV	3	2	B++	100	0.60	3
SAIC Corp	INDUSRV	3	3	B++	80	0.90	3
STERIS Corp	MEDICNV	3	3	B+	95	0.75	3
Schein (Henry)	MEDICNON	3	3	B+	95	0.75	3
Sealed Air	PACKAGE	3	3	B+	75	0.85	3
Sensient Techn	FOODPROC	3	3	B+	90	0.85	4
Stericycle Inc	ENVIRONM	3	3	B++	95	0.70	3
Stericycle Inc	ENVIRONM	3	3	B++	75	0.90	3
Symantec Corp	SOFTWARE	2	3	B++	90	0.85	3
Synopsys Inc	SOFTWARE	3	2	B++	90	0.85	3
Synopsys Inc	SOFTWARE	3	2	B++	85	0.90	3
Total System Svcs	FINSERV	3	3	B++	85	0.90	3
TreeHouse Foods	FOODPROC	4	3	B++	80	0.60	3
UniFirst Corp	INDUSRV	3	3	B+	75	0.85	4
Universal Corp	TOBACCO	3	3	B++	80	0.85	3
Universal Health Sv 'B'	MEDSERV	1	3	B+	75	0.85	3
VCA Anlech	MEDSERV	4	3	B+	70	0.90	3
ViaSat Inc	WIRELESS	3	3	B+	70	0.90	4
Werner Enterprises	TRUCKING	2	3	B++	75	0.90	3
West Pharmac Svcs	MEDICNON	3	3	B+	85	0.80	3
Wiley (John) & Sons	PUBLISH	3	3	B+	90	0.90	4
Average		3	3	B+	83	0.80	3
Water Group	Average	3	3	B+	91	0.72	3

**Comparable Earnings Approach**  
Five-Year Average Historical Earned Returns  
for Years 2006-2010 and  
Projected 3-5 Year Returns

Company	2006	2007	2008	2009	2010	Average	Projected 2014-16
ABM Industries Inc.	8.9%	8.2%	8.7%	10.0%	8.6%	8.9%	12.0%
ADTRAN Inc.	18.0%	20.2%	20.9%	16.4%	19.9%	19.1%	17.0%
Activision Blizzard	-	-	NMF	3.2%	5.9%	4.6%	8.5%
Advance Auto Parts	22.4%	23.6%	24.3%	22.4%	33.3%	25.2%	25.0%
Alexion Pharmac.	NMF	NMF	13.4%	11.6%	11.3%	12.1%	20.5%
Alliant Techsystems	31.9%	30.5%	42.9%	37.4%	26.9%	33.9%	15.0%
AmerisourceBergen	11.3%	15.9%	17.3%	18.8%	21.6%	17.0%	18.0%
Analogic Corp.	1.1%	3.9%	5.5%	0.9%	3.8%	3.0%	7.0%
AptarGroup	10.9%	12.5%	13.6%	9.9%	13.6%	12.1%	12.5%
AutoZone Inc.	NMF	NMF	NMF	NMF	NMF	-	NMF
Bio-Rad Labs 'A'	11.4%	10.4%	11.2%	11.5%	10.8%	11.1%	13.0%
Block (H&R)	26.5%	46.0%	36.5%	33.9%	29.5%	34.5%	55.0%
CA Inc.	3.2%	13.5%	16.0%	15.5%	15.5%	12.7%	11.0%
CACI Intl	11.4%	9.6%	9.1%	9.6%	9.1%	9.8%	9.0%
CLARCOR Inc.	15.4%	16.3%	14.7%	10.4%	12.7%	13.9%	13.0%
Casey's Gen'l Stores	10.6%	13.1%	12.7%	14.2%	25.0%	15.1%	18.0%
Charles River	7.8%	8.5%	14.8%	8.0%	9.8%	9.8%	8.5%
Chemed Corp.	13.7%	20.9%	19.2%	15.5%	17.7%	17.4%	18.0%
Cintas Corp.	15.7%	15.4%	14.9%	11.8%	9.0%	13.4%	11.0%
Clean Harbors	30.2%	21.8%	13.9%	6.3%	16.4%	17.7%	11.0%
Coca-Cola Bottling	24.7%	16.5%	21.1%	28.2%	28.4%	23.8%	17.0%
Computer Prog. & Sys.	40.9%	33.7%	38.1%	35.6%	40.3%	37.7%	31.0%
Compuware Corp.	14.0%	14.5%	15.9%	15.4%	11.5%	14.3%	18.5%
Commed Corp.	6.4%	7.9%	8.5%	4.6%	6.4%	6.8%	7.5%
Core-Mark Holding	9.6%	9.0%	6.5%	14.3%	4.9%	8.9%	7.5%
Covanta Holding Corp	12.0%	14.8%	12.1%	7.3%	2.6%	9.8%	9.5%
Dun & Bradstreet	-	-	-	-	-	-	47.0%
Endo Pharmac. Hldgs.	13.2%	17.6%	23.2%	17.8%	14.9%	17.3%	14.5%
Equifax Inc.	31.1%	22.0%	24.6%	18.4%	17.5%	22.7%	15.0%
Erie Indemnity Co.	17.6%	20.6%	18.0%	12.0%	17.8%	17.2%	22.5%
Forrester Research	6.6%	6.9%	9.6%	9.4%	9.1%	8.3%	13.0%
G&K Services 'A'	7.6%	7.3%	8.3%	7.3%	6.1%	7.3%	8.5%
Gilead Sciences	64.0%	46.7%	48.4%	40.5%	47.4%	49.4%	39.0%
Greatbatch Inc.	5.4%	10.1%	9.4%	9.2%	8.4%	8.5%	9.0%
HCC Insurance Hldgs.	16.8%	15.6%	12.0%	11.7%	10.3%	13.3%	11.0%
Haemonetics Corp	10.5%	11.4%	11.9%	12.5%	12.0%	11.7%	12.0%
Hanover Insurance	9.7%	10.2%	9.7%	8.0%	6.2%	8.8%	9.5%
Hasbro Inc.	15.0%	25.0%	22.1%	23.5%	23.7%	21.9%	28.0%
Healthcare Svcs	15.4%	15.2%	13.2%	14.5%	16.2%	14.9%	26.5%
Henry (Jack) & Assoc.	15.6%	17.5%	17.5%	16.5%	15.7%	16.6%	15.5%
Hillenbrand Inc.	58.8%	55.0%	36.4%	33.7%	24.8%	41.7%	23.0%
Hospira Inc.	22.8%	20.1%	23.0%	19.3%	17.6%	20.6%	23.5%
Hudson City Bancorp	5.9%	6.4%	9.0%	9.9%	9.7%	8.2%	10.0%
IHS Inc.	10.3%	10.0%	12.4%	13.3%	12.0%	11.6%	12.5%
Informatica Corp	15.9%	17.5%	15.7%	13.3%	13.4%	15.2%	20.0%
Int'l Speedway 'A'	15.0%	13.1%	12.2%	8.0%	6.2%	10.9%	7.5%
Invacare Corp.	7.8%	6.4%	9.0%	7.2%	9.2%	7.9%	9.0%
Investors Bancorp	1.7%	2.6%	1.9%	NMF	6.9%	3.3%	9.5%
J&J Snack Foods	11.2%	10.9%	8.8%	12.0%	12.7%	11.1%	13.0%
Knight Transportation	17.1%	12.9%	11.6%	9.7%	12.0%	12.7%	16.0%
Life Technologies	4.9%	7.4%	9.4%	13.7%	15.2%	10.1%	16.0%
MAXIMUS Inc.	0.6%	4.9%	11.1%	18.4%	19.2%	10.8%	35.0%
MTS Systems	23.0%	22.1%	23.0%	11.3%	13.8%	18.6%	17.0%
ManTech Intl 'A'	12.1%	12.2%	13.3%	13.7%	12.9%	12.8%	12.0%
Mathews Intl	16.6%	16.1%	17.9%	15.5%	14.8%	16.2%	14.0%
Mercury General	11.8%	12.0%	7.7%	10.0%	6.4%	9.6%	11.0%
Molson Coors Brewing	6.4%	7.1%	8.6%	10.0%	8.6%	8.1%	8.0%
Nash Finch Co	8.5%	10.7%	12.2%	12.3%	11.7%	11.1%	10.5%
National Instruments	12.2%	16.2%	12.8%	5.9%	14.7%	12.4%	19.0%
NeuStar Inc.	21.7%	19.2%	20.2%	20.1%	19.2%	20.1%	17.0%
New York Community	6.3%	6.7%	6.6%	7.4%	9.8%	7.4%	11.5%
Northwest Bancshares	8.5%	8.0%	7.8%	2.5%	4.4%	6.2%	7.0%
Orbital Sciences	8.8%	13.1%	13.8%	7.3%	8.3%	10.3%	12.0%
Papa John's Intl	32.0%	39.3%	36.5%	22.6%	23.0%	30.7%	22.5%
Pee't's Coffee & Tea	7.0%	6.2%	7.8%	8.4%	10.4%	8.0%	13.5%
People's United Fin'l	9.3%	3.4%	2.7%	2.0%	1.6%	3.8%	5.5%
Perrigo Co.	11.6%	10.4%	16.1%	19.1%	24.2%	16.3%	24.5%
PetSmart Inc.	18.5%	19.7%	16.8%	16.9%	20.5%	18.5%	19.5%
Pharmac. Product	16.4%	14.2%	15.9%	11.8%	9.6%	13.6%	17.5%
Pitney Bowes	86.8%	93.5%	-	NMF	NMF	90.2%	100.0%
Quest Diagnostics	21.2%	16.7%	17.8%	18.3%	17.9%	18.4%	15.0%
Reynolds American	16.1%	18.1%	22.5%	20.8%	22.4%	20.0%	23.0%
SAIC Inc.	24.0%	20.3%	21.4%	21.8%	22.8%	22.1%	15.0%
STERIS Corp.	11.4%	12.8%	15.4%	17.0%	16.5%	14.6%	15.0%
Schein (Henry)	12.4%	13.2%	14.0%	13.3%	13.9%	13.4%	10.5%
Sealed Air	17.1%	17.5%	9.3%	11.1%	10.7%	13.1%	11.0%
Sensient Techn.	9.4%	9.6%	11.1%	10.3%	10.9%	10.3%	12.0%
Stercycle Inc.	17.4%	18.0%	22.8%	21.1%	20.3%	19.9%	15.5%
Symantec Corp	3.5%	4.4%	17.5%	14.0%	12.3%	10.3%	14.5%
Synopsys Inc.	6.7%	10.8%	13.1%	10.8%	9.1%	10.1%	11.0%
Total System Svcs.	20.5%	30.7%	25.6%	18.7%	15.9%	22.3%	14.5%
TreeHouse Foods	5.8%	6.6%	8.1%	9.7%	10.3%	8.1%	9.0%
UniFirst Corp.	8.7%	9.4%	11.0%	12.1%	10.8%	10.4%	9.5%
Universal Corp	10.6%	11.5%	12.8%	15.0%	12.9%	12.6%	9.5%
Universal Health Sv. B'	10.9%	10.8%	12.5%	14.0%	12.6%	12.2%	14.5%
VCA Antech	22.9%	20.9%	18.7%	15.3%	12.4%	18.0%	10.0%
ViaSat Inc.	11.2%	10.8%	10.9%	7.2%	7.1%	9.4%	10.0%
Werner Enterprises	11.3%	9.5%	9.1%	8.0%	12.0%	10.0%	15.0%
West Pharm. Svcs.	15.7%	17.0%	16.8%	12.5%	11.6%	14.7%	14.5%
Wiley (John) & Sons	17.8%	18.7%	24.5%	21.2%	19.0%	20.2%	16.5%
Average						15.7%	16.5%
Average (excluding values >20%)						11.6%	12.2%

AQUA TEXAS, INC.  
WATER ASSETS

ESTIMATED SURVIVOR CURVE, NET SALVAGE, ORIGINAL COST, BOOK RESERVE, AND  
CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO UTILITY PLANT AS OF DECEMBER 31, 2010

DEPRECIABLE GROUP (1)	SURVIVOR CURVE (2)	NET SALVAGE (3)	ORIGINAL COST AS OF DECEMBER 31, 2010 (4)	BOOK RESERVE (5)	FUTURE ACCRUALS (6)	ANNUAL ACCRUAL AMOUNT (7)	COMPOSITE REMAINING LIFE (8)	ANNUAL ACCRUAL RATE PERCENT (9)=(7)/(4)
<b>DEPRECIABLE PLANT</b>								
<b>STRUCTURES AND IMPROVEMENTS</b>								
304.20	45-R3	(5)	3,591,092.02	959,065	2,811,582	72,224	38.9	2.01
304.30	55-R3	(5)	5,136,394.86	1,979,920	3,413,295	74,202	46.0	1.44
304.40	40-R2.5	(5)	2,090,206.13	410,184	1,794,535	51,903	34.4	2.48
304.50	45-R3	0	3,197,518.54	650,916	2,546,603	66,597	38.2	2.08
			14,015,213.55	4,000,085	10,556,015	264,926	39.8	1.89
<b>TOTAL STRUCTURES AND IMPROVEMENTS</b>								
305.00	60-R2.5	0	6,982.99	817	6,166	114	54.1	1.63
306.00	60-S1.5	0	32,946.32	4,108	28,638	522	55.2	1.58
307.00	50-R3	(5)	33,721,767.87	10,392,615	25,015,241	608,365	41.1	1.80
308.00	60-S2.5	(10)	2,340,694.42	440,315	2,134,449	39,762	53.7	1.70
310.20	30-S2.5	0	1,397,288.25	228,755	1,168,533	45,864	25.5	3.28
<b>PUMPING EQUIPMENT</b>								
311.20	36-R0.5	(5)	11,766,290.01	5,333,864	7,020,741	214,674	32.7	1.82
311.30	35-R2.5	(5)	321,854.91	95,343	242,710	8,481	28.6	2.63
311.40	35-R2	(5)	5,904,478.18	2,792,591	3,407,111	115,108	29.6	1.95
			17,992,723.10	8,221,798	10,670,562	336,263	31.5	1.88
<b>TOTAL PUMPING EQUIPMENT</b>								
320.00	45-R2.5	(10)	3,053,199.14	1,000,911	2,357,608	61,467	38.4	2.01
330.00	50-S1	(10)	24,372,987.25	6,766,639	20,043,647	515,425	38.9	2.11
331.00	75-R4	(15)	65,666,383.93	20,752,080	54,764,262	921,731	59.4	1.40
333.00	27-S1.5	(25)	7,307,917.94	253,943	8,880,954	429,642	20.7	5.88
334.00	30-S1	0	15,493,732.37	7,488,337	8,004,395	335,943	23.8	2.17
335.00	70-R3	(10)	1,246,583.87	443,788	927,454	16,869	55.0	1.35
<b>OTHER PLANT AND MISCELLANEOUS EQUIPMENT</b>								
339.10	20-R4	0	2,669.27	2,669	0	0	-	-
339.20	30-R3	0	222,231.67	125,644	96,588	4,060	23.8	1.83
339.30	30-S2.5	0	241,617.03	199,310	82,307	3,495	23.5	1.45
339.40	35-R3	0	216,733.28	128,562	88,171	3,138	28.1	1.45
			683,251.25	416,185	267,066	10,693	25.0	1.57
<b>TOTAL OTHER PLANT AND MISCELLANEOUS EQUIPMENT</b>								
340.00	20-SQ	0	6,029,849.28	584,567	5,445,282	336,296	16.2	5.58
341.00	10-S0	5	1,435,284.89	9,016	1,354,505	221,781	6.1	15.45
343.00	20-SQ	0	166,431.36	15,219	151,212	11,705	12.9	7.03
344.00	15-SQ	0	1,362.70	140	1,223	116	10.5	8.51
345.00	20-L3	0	201,413.33	29,933	171,480	12,015	14.3	5.97
346.00	15-SQ	0	251,897.84	48,670	203,228	22,530	9.0	8.94
347.00	15-SQ	0	267,125.96	22,239	244,887	21,397	11.4	8.01
348.00	20-SQ	0	1,502,982.94	490,095	1,012,888	119,481	8.5	7.95
			197,188,020.55	61,611,255	153,409,895	4,334,908	35.4	2.20
<b>TOTAL DEPRECIABLE PLANT</b>								



AQUA TEXAS, INC.  
WATER ASSETS

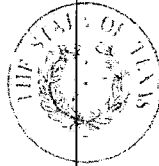
ESTIMATED SURVIVOR CURVE, NET SALVAGE, ORIGINAL COST, BOOK RESERVE, AND  
CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO UTILITY PLANT AS OF DECEMBER 31, 2010

DEPRECIABLE GROUP (1)	SURVIVOR CURVE (2)	NET SALVAGE (3)	ORIGINAL COST AS OF DECEMBER 31, 2010 (4)	BOOK RESERVE (5)	FUTURE ACCRUALS (6)	ANNUAL ACCRUAL AMOUNT (7)	COMPOSITE REMAINING LIFE (8)	ANNUAL ACCRUAL RATE PERCENT (9)=(7)/(4)
<b>NONDEPRECIABLE PLANT</b>								
301.00	ORGANIZATION		639,444.87	85,190.00				
302.00	FRANCHISES		425,151.40	56,040.00				
303.20	LAND AND LAND RIGHTS - SOURCE OF SUPPLY AND PUMPING		6,572,147.79	48,367.00				
303.30	LAND AND LAND RIGHTS - WATER TREATMENT		269,319.74	0.00				
303.40	LAND AND LAND RIGHTS - TRANSMISSION AND DISTRIBUTION		730,971.55	12,571.00				
303.50	LAND AND LAND RIGHTS - GENERAL		3,036,656.77	(18,676.00)				
	<b>TOTAL NONDEPRECIABLE PLANT</b>		<b>11,673,692.12</b>	<b>183,492</b>				
	<b>TOTAL WATER PLANT</b>		<b>208,861,712.67</b>	<b>61,794,747</b>	<b>153,409,896</b>	<b>4,334,908</b>		

\* ACCRUAL RATES FOR ADDITIONS AS OF JANUARY 1, 2011 SHOULD BE 5.00%.

*Sickie*

Bryan W. Shaw, Ph.D., *Chairman*  
Budd Garcia, *Commissioner*  
Carlos Rabinstein, *Commissioner*  
Mark R. Vickery, P.G., *Executive Director*



# TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

August 6, 2010

**E SIGNATURE CONFIRMATION 91 3408 2133 3931 2927 5438**

Steve Blackhurst, Environmental Compliance Manager  
Agnes Subdivision, Aqua Texas  
1106 Clayton Ln, Suite 400 W  
Austin, Texas 78723-1066

**RECEIVED**

Re: Notice of Violation for the Compliance Evaluation Investigation at:  
Agnes Subdivision; Windy Hill Dr; Springtown (Parker County); Texas  
RN102688827, PWS ID # 1840017, Investigation No. 842132:

BY: .....

Dear Mr. Blackhurst:

On July 8, 2010, Marcela G Woodall of the Texas Commission on Environmental Quality (TCEQ) Dallas/Fort Worth (D/FW) Region Office conducted an investigation of the above-referenced regulated entity to evaluate compliance with applicable requirements for public water supplies.

Enclosed is a summary which lists the investigation findings. In addition, certain outstanding alleged violations were identified for which compliance documentation is required. Please submit to this office by October 5, 2010 a written description of corrective action taken and the required documentation demonstrating that compliance has been achieved for each of the outstanding alleged violations.

In the listing of alleged violations, we have cited applicable requirements, including TCEQ rules. If you would like to obtain a copy of the applicable TCEQ rules, you may contact any of the sources listed in the enclosed brochure entitled "Obtaining TCEQ Rules." Copies of applicable federal regulations may be obtained by calling Environmental Protection Agency's Publications at (800) 490-9198.

The TCEQ appreciates your assistance in this matter. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with

REPLY TO: REGION 4-DALLAS/FORT WORTH • 2309 GRAVEL DR. • FORT WORTH, TEXAS 76118-6951 • 817-588-5800 • FAX 817-588-5700

P.O. Box 13087 • Austin, Texas 78711-3087 • 512-239-1000 • Internet address: [www.tceq.state.tx.us](http://www.tceq.state.tx.us)


Environmental Quality Department of the State of Texas

Mr. Blackhurst, Environmental Compliance Manager  
August 6, 2010  
Page 2

environmental regulatory requirements. Self-reported violations may be subject to enforcement, including penalties, upon review by the Enforcement Division. We anticipate that you will resolve the alleged violations as required in order to protect the State's environment. If you have additional information that we are unaware of, you have the opportunity to contest the violation(s) documented in this notice. Should you choose to do so, you must notify the D/FW Regional Office within 10 days from the date of this letter. At that time, Mr. Charles Marshall will schedule a violation review meeting to be conducted (*within 21 days from the date of this letter*). However, please be advised that if you decide to participate in the violation review process, the TCEQ may still require you to adhere to the compliance schedule included in the attached Summary of Investigation Findings until an official decision is made regarding the status of any or all of the contested violations.

If you or members of your staff have any questions, please feel free to contact Ms. Marcela G Woodall in the D/FW Regional Office at (817) 588-5800.

Sincerely,



Charles Marshall  
Team Leader, Public Water Supply Section  
D/FW Regional Office

CM/mgw

Enclosures: Summary of Investigation Findings  
*Obtaining TCEQ Rules*

## Summary of Investigation Findings

AGNES SUBDIVISION  , PARKER COUNTY,  Additional ID(s): 1840017	Investigation # 842132  Investigation Date: 07/07/2010
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### OUTSTANDING ALLEGED VIOLATION(S) ASSOCIATED TO A NOTICE OF VIOLATION

Track No: 406367      Compliance Due Date: 10/05/2010  
 30 TAC Chapter 290.46(n)(3)

**Alleged Violation:**  
 Investigation: 842132

Comment Date: 7/23/2010

Failure to maintain copies of the well completion data (specifically, for Well #1 (G1840017A)) for as long as the well remains in service.

**Recommended Corrective Action:** Submit a copy of the well completion data that will meet the requirements of 30 TAC 290.46(n)(3), or an exception letter to this rule from the TCEQ, Public Drinking Water Section, Technical Review and Oversight Team.

### ALLEGED VIOLATION(S) NOTED AND RESOLVED ASSOCIATED TO A NOTICE OF VIOLATION

Track No: 275437  
 30 TAC Chapter 290.46(m)

**Alleged Violation:**  
 Investigation: 561115

Comment Date: 5/22/2007

Failure to properly maintain the fence at well site.

§290.46(m) Maintenance and housekeeping. The maintenance and housekeeping practices used by a public water system shall ensure the good working condition and general appearance of the system's facilities and equipment. The grounds and facilities shall be maintained in a manner so as to minimize the possibility of the harboring of rodents, insects, and other disease vectors, and in such a way as to prevent other conditions that might cause the contamination of the water.

Investigation: 842132

Comment Date: 7/21/2010

Failure to utilize good maintenance and housekeeping practices to ensure the public water system, specifically the fence surrounding the well, are up kept properly and the general appearance of the system's facilities/equipment is good.

**Recommended Corrective Action:** Submit photographs demonstrating the barbed wire has been tightened and is free of overgrown vegetation.

**Resolution:** On July 10, 2007 documentation was received in the regional office that the system has submitted, specifically photographs of a well maintained fence around the Agnes Subdivision's well. This information was confirmed during the investigation that took place on the July 7, 2010. This appears to resolve the violation.



# Summary of Investigation Findings

ASHCREEK ADDITION  , PARKER COUNTY,  Additional ID(s): 1840013	Investigation # 842603  Investigation Date: 07/07/2010
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No Violations Associated to this Investigation

## ADDITIONAL ISSUES

### Description

Other violations noted during the investigation (If non-compliant then describe violation in the comment section.)

### Additional Comments

It was noted in the Exit Interview that the system was not rotating samples to include Well #3 (G1840013E). The exception specifically states that "One raw water bacteriological sample per month, must be collected each month, alternating between Well #1, Well #2, and Well #3, so that each well is sampled at least once every three months." The system is to start including Well #3 in the sampling rotation as required by the above exception.

*Nicks*

Bryan W. Shaw, Ph.D., *Chairman*  
Buddy Garcia, *Commissioner*  
Carlos Rubinstein, *Commissioner*  
Mark R. Vickery, P.C., *Executive Director*



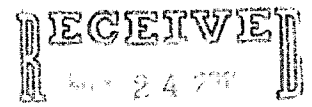
# TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

May 20, 2010

**ESIGNATURE CONFIRMATION: 91 3408 2133 3931 2927 4042**  
**RETURN RECEIPT REQUESTED**

Steve Blackhurst, Environmental Compliance Manager  
Aqua Texas, Inc.  
1106 Clayton Lane, Suite 400 W  
Austin, Texas 78723



BY: \_\_\_\_\_

Re: Notice of Violation for the Compliance Evaluation Investigation at:  
Avondale Heights, Tarrant County, Texas  
RN102643418, TCEQ Additional ID 2200184, Investigation No. 798537

Dear Mr. Blackhurst:

On April 13, 2010, Dan Long of the Texas Commission on Environmental Quality (TCEQ) Dallas/Fort Worth (D/FW) Region Office conducted an investigation of the above-referenced regulated entity to evaluate compliance with applicable requirements for public water supply. Enclosed is a summary which lists the investigation findings. Certain outstanding alleged violations were identified for which compliance documentation is required. Please submit to this office by August 20, 2010 a written description of corrective action taken and the required documentation demonstrating that compliance has been achieved for each of the outstanding alleged violations

In the listing of alleged violations, we have cited applicable requirements, including TCEQ rules. If you would like to obtain a copy of the applicable TCEQ rules, you may contact any of the sources listed in the enclosed brochure entitled "Obtaining TCEQ Rules." Copies of applicable federal regulations may be obtained by calling Environmental Protection Agency's Publications at (800) 490-9198.

The TCEQ appreciates your assistance in this matter. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with environmental regulatory requirements. We anticipate that you will resolve the alleged violations as required in order to protect the State's environment. If you have additional information that we are unaware of, you have the opportunity to contest the violation(s) documented in this notice. Should you choose to do so, you must notify D/FW Region Office within 10 days from the date of this letter. At that time, Mr. Sid Slocum, Water Section Manager, will schedule a violation review meeting to be conducted *within 21 days from the date of this letter.*

REPLY TO: REGION 4-DALLAS/FORT WORTH • 2309 GRAVEL DR. • FORT WORTH, TEXAS 76118-6951 • 817-588-5800 • FAX 817-588-5700

P.O. Box 13087 • Austin, Texas 78711-3087 • 512-239-1000 • Internet address: [www.tceq.state.tx.us](http://www.tceq.state.tx.us)

and/or contact redpage.com for more info

Steve Blackhurst, Environmental Compliance Manager

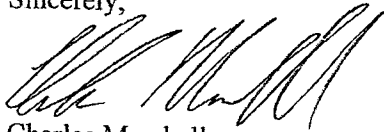
May 20, 2010

Page 2

However, please be advised that if you decide to participate in the violation review process, the TCEQ may still require you to adhere to the compliance schedule included in the attached Summary of Investigation Findings until an official decision is made regarding the status of any or all of the contested violations.

If you or members of your staff have any questions regarding these matters, please feel free to contact Mr. Daniel Long in our D/FW Region Office at 817/588-5859.

Sincerely,



Charles Marshall  
Team Leader, Public Water Supply Section  
D/FW Regional Office

CM/DML

Enclosures: Investigation summary No. 798537  
*Obtaining TCEQ Rules*



## Summary of Investigation Findings

AVONDALE HEIGHTS

Investigation # 798537

, TARRANT COUNTY,

Investigation Date: 04/13/2010

Additional ID(s): 2200184

### ALLEGED VIOLATION(S) NOTED AND RESOLVED

Track No: 115604

30 TAC Chapter 290.43(c)(7)

**Alleged Violation:**

Investigation: 150857

Comment Date: 8/19/2003

Failed to provide the ground storage tank with a means of removing accumulated silt and deposits at all low points in the bottom of the tank.

Investigation: 798537

Comment Date: 5/11/2010

Failed to provide the ground storage tank with a means of removing accumulated silt and deposits at all low points in the bottom of the tank.

**Resolution:** A suitable means to remove accumulated silts and deposits at all low points was observed at the time of the 2010 comprehensive compliance investigation.

Track No: 281444

30 TAC Chapter 290.46(i)

**Alleged Violation:**

Investigation: 567998

Comment Date: 7/25/2007

Failure to establish a service agreement which includes prohibition of potential cross-connections or other undesirable plumbing practices and provisions for proper enforcement, and/or failure to retain and make available for review copies of properly completed and signed service agreements.

Operating Practices for Public Water Systems: Plumbing Ordinance/Service Agreement. Public water systems must adopt an adequate plumbing ordinance, regulations, or service agreement with provisions for proper enforcement to insure that neither cross-connections nor other unacceptable plumbing practices are permitted. Per 290.47(b) of this title (relating to Appendices), the purpose of the service agreement is to notify each customer of the restrictions which are in place to provide protection from contamination or pollution which could result from improper private water distribution system construction or configuration. The utility enforces these restrictions to ensure the public health and welfare. Each customer must sign the service agreement before the water system begins service. In addition, when service to an existing connection has been suspended or terminated, the water system must not re-establish service unless it has a signed copy of the service agreement.

Should sanitary control of the distribution system not reside with the purveyor, the entity retaining sanitary control shall be responsible for establishing and enforcing adequate regulations in this regard. The use of pipes and pipe fittings that contain more than 8.0% lead or solders and flux that contain more than 0.2% lead is prohibited for installation or repair of any public water supply and for installation or repair of any plumbing in a residential or nonresidential facility providing water for human consumption and connected to a public

**AVONDALE HEIGHTS**

**Investigation # 798537**

drinking water supply system. This requirement may be waived for lead joints that are necessary for repairs to cast iron pipe.  
Investigation: 798537

Comment Date: 5/11/2010

Failure to establish a service agreement which includes prohibition of potential cross-connections or other undesirable plumbing practices and provisions for proper enforcement, and/or failure to retain and make available for review copies of properly completed and signed service agreements.

**Recommended Corrective Action:** Submit 1) a copy of the service agreement adopted by the water system. The service agreement must prohibit potential cross-connections or other undesirable plumbing practices. The service agreement must also prohibit the use of pipes and pipe fittings that contain more than 8.0 percent lead or solders and flux that contain more than 0.2 percent lead and include provisions for proper enforcement; and 2) a statement signed by system officials that the water system will begin complying with the requirement that each new customer must sign the service agreement before the water system begins providing service. The signed statement must include the provision that when service to an existing connection has been suspended or terminated, the water system will not re-establish service unless it has a signed copy of the service agreement.

Copies of properly completed and signed Service Agreements must be kept on file by the regulated entity and made available, upon request, for Commission review. See 30 TAC 290.47(b), Sample Service Agreement.

**Resolution:** Adequate service Agreement noted at the time of the 2010 comprehensive compliance agreement.

**WITHDRAWN VIOLATION(S)**

**Track No: 115588      Compliance Due Date: To Be Determined**  
**30 TAC Chapter 290.43(d)(2)**

**Alleged Violation:**

Investigation: 150857

Comment Date: 8/19/2003

Failed to provide the pressure tank with a pressure release device.

Investigation: 798537

Comment Date: 5/11/2010

Failed to provide the pressure tank with a pressure release device.

**Withdrawal Comments:** This violation is a duplicate violation of Tracking No. 100823, which was resolved 6/27/2006.

**Track No: 115595      Compliance Due Date: To Be Determined**  
**30 TAC Chapter 290.43(d)(3)**

**Alleged Violation:**

Investigation: 150857

Comment Date: 8/19/2003

Failed to provide the pressure tank with a device to readily determine air-water-volume.

Investigation: 798537

Comment Date: 5/11/2010

Failed to provide the pressure tank with a device to readily determine air-water-volume.

**Withdrawal Comments:** This violation is a duplicate violation of Tracking No. 100327, which was resolved 6/27/2006.

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Track No: 115602      Compliance Due Date: To Be Determined  
30 TAC Chapter 290.43(c)

**Alleged Violation:**

Investigation: 150857

Comment Date: 8/19/2003

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Failed to provide a water storage tank in accordance with current AWWA standards.

Investigation: 798537

Comment Date: 5/11/2010

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Failed to provide a water storage tank in accordance with current AWWA standards.

**Withdrawal Comments:** This violation is a duplicate violation of Tracking No. 99718, which was resolved 6/23/2006.

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Track No: 115607      Compliance Due Date: To Be Determined  
30 TAC Chapter 290.45(b)(1)(C)(iii)

**Alleged Violation:**

Investigation: 150857

Comment Date: 8/19/2003

---

Failed to provide the required service pump capacity.

Investigation: 798537

Comment Date: 5/11/2010

---

Failed to provide the required service pump capacity.

**Withdrawal Comments:** This violation is a duplicate violation of Tracking No. 99538, which was resolved 6/15/2006.

---

Track No: 115608      Compliance Due Date: To Be Determined  
30 TAC Chapter 290.46(v)

**Alleged Violation:**

Investigation: 150857

Comment Date: 8/19/2003

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Failed to install all electrical wiring in a securely mounted conduit in compliance with a local or national electric code.

Investigation: 798537

Comment Date: 5/11/2010

---

Failed to install all electrical wiring in a securely mounted conduit in compliance with a local or national electric code.

**Withdrawal Comments:** This violation is a duplicate violation of Tracking No. 99792, which was resolved 6/23/2006.

---

Track No: 115611      Compliance Due Date: To Be Determined  
30 TAC Chapter 290.45(b)(1)(C)(i)

**Alleged Violation:**

Investigation: 150857

Comment Date: 8/19/2003

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Failed to provide a well capacity of 0.6 gpm per connection.

Investigation: 798537

Comment Date: 5/11/2010

**AVONDALE HEIGHTS**

**Investigation # 798537**

Failed to provide a well capacity of 0.6 gpm per connection.

**Withdrawal Comments:** This violation is a duplicate violation of Tracking No. 99425, which was resolved 6/15/2006.

**Track No:** 281439      **Compliance Due Date:** 11/05/2007

**30 TAC Chapter 290.41(c)(1)(F)**

**Alleged Violation:**

Investigation: 567998

Comment Date: 7/25/2007

Failure to make available at the time of the inspection full and complete sanitary control easements covering all land within 150 ft. of Wells 1, 2, and 3 (Source Codes G2200184A, G2200184B and G2200184C), or executive director approval for sanitary control easement substitute(s) authorized in 290.41(c)(1)(F)(iv).

**Groundwater Sources and Development.**

A sanitary control easement or sanitary control easements covering land within 150 feet of the well, or executive director approval for a substitute authorized by this subsection, shall be obtained. The sanitary control easement must fully describe the location of the well and surrounding lands and must be filed in the county records to be legally binding. The sanitary control easements secured, or the approved substitutes, shall provide that none of the pollution hazards covered in 290.41(c)(1), subparagraphs (A) - (E), or any facilities that might create a danger of pollution to the water to be produced from the well, will be located thereon.

For the purpose of a sanitary control easement, an improperly constructed water well is one which fails to meet the surface and subsurface construction standards for public water supply wells. Residential type wells within a sanitary control easement must be constructed to public water well standards.

Investigation: 798537

Comment Date: 5/11/2010

Failure to make available at the time of the inspection full and complete sanitary control easements covering all land within 150 ft. of Wells 1, 2, and 3 (Source Codes G2200184A, G2200184B and G2200184C), or executive director approval for sanitary control easement substitute(s) authorized in 290.41(c)(1)(F)(iv).

**Recommended Corrective Action:** Submit photocopies of recorded sanitary control easements for Wells 1, 2 and 3 at Plant 1 (Source Codes G2200184A, G2200184B and G2200184C, respectively), or approved substitute(s) authorized by the executive director. The documents must fully describe the locations of the wells and surrounding lands and must be filed in the county records to be legally binding.

The sanitary control easements secured, or the approved substitutes, shall provide that none of the pollution hazards covered in §290.41(c)(1), subparagraphs (A) - (E), or any facilities that might create a danger of pollution to the water to be produced from the well, will be located thereon. See 30 TAC §290.47(c), Sanitary Control Easement.

**Withdrawal Comments:** To be WITHDRAWN, as Tracking No. 281439 is a duplicate violation of Tracking No. 115614, which is currently under a resolution schedule.

An exception for a sanitary control easement was granted for well G2200184C (well #3), per letter of 4/14/2009. The remaining three wells G2200184C, G2200184D and G2200184E, have no easement or exception for easement, although the system is actively pursuing an exception for each well.

Bryan W. Shaw, Ph.D., *Chairman*  
Buddy Garcia, *Commissioner*  
Carlos Rubinstein, *Commissioner*  
Mark R. Vickery, P.G., *Executive Director*



*Garof*

## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

December 6, 2010

RECEIVED  
DEC 10 2010

BY: .....

Steve Blackhurst, Environmental Compliance Manager  
Aqua Texas, Inc.  
1106 Clayton Lane, Suite 400 W  
Austin, Texas 78723

Re: Compliance Evaluation Investigation at: Barrow Subdivision, Hunt County, Texas  
TCEQ ID No.: 1160066, Inv. No. 873332, RN102674678

Dear Mr. Blackhurst:

On November 10, 2010, Dan Long of the Texas Commission on Environmental Quality (TCEQ) Dallas/Fort Worth (D/FW) Region Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for public water supply. No violations are being alleged as a result of the investigation.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Mr. Dan Long in the D/FW Region Office at (817) 588-5859.

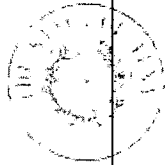
Sincerely,

A handwritten signature in black ink, appearing to read "Charles Marshall".

Charles Marshall  
Team Leader, Public Water Supply Section  
D/FW Regional Office

CM/dml

Buddy Garcia, *Chairman*  
Larry R. Soward, *Commissioner*  
Bryan W. Shaw, Ph.D., *Commissioner*  
Glenn Shankle, *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

November 26, 2007

Mr. Steve Blackhurst, P.E., Environmental Compliance Manager  
Aqua Texas, Inc.  
1106 Clayton Lane, Suite 400W  
Austin, Texas 78723-1066

NOV 27 2007

Re: Comprehensive Compliance Investigation at:  
Behringer Water System, McLennan County  
TCEQ ID No.: PWS 1550130, RN102693850

Dear Mr. Blackhurst:

On November 12, 2007, Mr. Josephs Anudokem of the Texas Commission on Environmental Quality (TCEQ) Waco Regional Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for a public water supply. No violations are being alleged as a result of the investigation.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Mr. Josephs Anudokem in the Waco Regional Office at (254) 751-0335.

Sincerely,

A handwritten signature in cursive script, appearing to read "Richard Monreal".

Richard Monreal  
Water and Waste Section Work Leader  
Waco Regional Office

RM/ja/ps

REPLY TO: REGION 9 • 6801 SANGER AVE., STE. 2500 • WACO, TEXAS 76710-7826 • 254-751-0335 • FAX 254-772-9241

P.O. Box 13087 • Austin, Texas 78711-3087 • 512-239-1000 • Internet address: [www.tceq.state.tx.us](http://www.tceq.state.tx.us)

Asla

Bryan W. Shaw, Ph.D., *Chairman*  
Buddy Garcia, *Commissioner*  
Carlos Rubinstein, *Commissioner*  
Mark R. Vickery, P.G., *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

January 28, 2010

Steve Blackhurst, Regional Environmental Compliance Manager  
Aqua Texas, Inc.  
1106 Clayton Lane Suite 400 W  
Austin, TX 78723

RECEIVED  
JAN 30 2010

BY: .....

Re: Compliance Evaluation Investigation at:  
Bentwater on Lake Granbury, 1100 Meander Rd., Hood County, Texas  
RN102683042; TCEQ ID No.1110116; Investigation No.788075

Dear Mr. Blackhurst,

On November 19, 2009, Ryan Albert of the Texas Commission on Environmental Quality (TCEQ) D/FW Region Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for public water systems. No violations are being alleged as a result of the investigation.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Mr. Ryan Albert in the D/FW Region Office at Phone #(817)588-5819.

Sincerely,

Charles Marshall  
Work Leader, Public Water Supply Section  
D/FW Regional Office

CM/ra

(Rev. 6/15/05)

REPLY TO: REGION 4-DALLAS/FORT WORTH • 2309 GRAVEL DR. • FORT WORTH, TEXAS 76118-6951 • 817-588-5800 • FAX 817-588-5700

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Mike

Bryan W. Shaw, Ph.D., *Chairman*  
Buddy Garcia, *Commissioner*  
Carlos Rubinstein, *Commissioner*  
Mark R. Vickery, P.G., *Executive Director*



# TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

July 14, 2010

**RECEIVED**  
JUL 17 2010

Steve Blackhurst, Environmental Compliance Manager  
Aqua Texas, Inc.  
1106 Clayton Lane, Suite 400 W  
Austin, Texas 78723

BY: .....

Re: Compliance Evaluation Investigation at: Blue Mound Estates, Blue Mound Rd. and  
Maxwell Rd., Tarrant County, Texas  
TCEQ ID No.: 2200100, Inv. No. 826542, RN102686060

Dear Mr. Blackhurst:

On May 21, 2010, Dan Long of the Texas Commission on Environmental Quality (TCEQ) Dallas/Fort Worth (D/FW) Region Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for public water supply. No violations are being alleged as a result of the investigation.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Mr. Dan Long in the D/FW Region Office at (817) 588-5859.

Sincerely,

Charles Marshall  
Team Leader, Public Water Supply Section  
D/FW Regional Office

CM/dml



*Nola*

Buddy Garcia, *Chairman*  
Larry R. Soward, *Commissioner*  
Bryan W. Shaw, Ph.D., *Commissioner*  
Mark R. Vickery, P.G., *Executive Director*



# TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

February 10, 2009

Mr. Steve Blackhurst  
Regional Environmental Compliance Manager  
Aqua Texas, Inc.  
1106 Clayton Lane, Suite 400 W  
Austin, Texas 78723-1066

**RECEIVED**  
FEB 13 2009

BY: .....

Re: Comprehensive Compliance Investigation at:  
Blue Water Shores, 4704 Blue Water Cir., Granbury, Hood County, Texas  
RN101187599, TCEQ Additional ID 1110079, Investigation# 726326

Dear Mr. Blackhurst:

The Texas Commission on Environmental Quality (TCEQ), D/FW Region Office has received the compliance documentation that you submitted for the alleged violations noted during the investigation of the above-referenced facility conducted on October 21, 2008. The compliance documentation contained in your response appears to indicate that corrective action has been taken for the alleged violations. No further response from you is necessary concerning this investigation.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Mr. Imran Khawaja in our D/FW Region Office at 817/588-5806

Sincerely,  
  
Charles Marshall

PWS Work Leader  
D/FW Region Office  
CM/IAK  
cc: TCEQ - Austin

REPLY TO: REGION 4-DALLAS/FORT WORTH • 2309 GRAVEL DR. • FORT WORTH, TEXAS 76118-6951 • 817-588-5800 • FAX 817-588-5700

P.O. Box 13087 • Austin, Texas 78711-3087 • 512-239-1000 • Internet address: [www.tceq.state.tx.us](http://www.tceq.state.tx.us)

## Summary of Investigation Findings

<b>BLUE WATER SHORES WATER SYSTEM</b> 4704 BLUE WATER CIR GRANBURY, HOOD COUNTY, TX 76049  Additional ID(s): 1110079	Investigation # 726326 Investigation Date: 02/05/2009
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### ALLEGED VIOLATION(S) NOTED AND RESOLVED ASSOCIATED TO A NOTICE OF VIOLATION

Track No: 88561 30 TAC Chapter 290.46(u)  <b>Alleged Violation:</b> Investigation: 726326	Comment Date: 02/05/2009
Failure to provide the plugging report for Well#2 (G1110079B). Investigation: 704689	Comment Date: 10/23/2008
Failure to provide the plugging report for Well #2 (G1110079B). Investigation: 403594	Comment Date: 08/11/2005
Violation of: §290.46(u) Failure to provide the plugging report for Well #2 (G1110079B).  According to 30 TAC §290.46(u), abandoned public water supply wells owned by the system must be plugged with cement according to 16 TAC Chapter 76 (relating to Water Well Drillers and Water Well Pump Installers). 16 TAC §76.702(f) states each licensed well driller shall ensure that all wells are plugged, repaired, or properly completed pursuant to this Chapter and Texas Occupations Code §1901.255 of this title. According to 12 TOC §1901.255(e), the department or the groundwater conservation district in which the well is located shall furnish plugging report forms on request. The executive director shall prescribe the content of the forms. This violation has also been noted on previous investigations dated 02/01/2000, 08/10/2000 and 08/25/2000 to which no compliance documentation has been submitted. Investigation: 146579	Comment Date: 07/24/2003
Failure to properly plug abandoned well number 2 in accordance with 30 Tex. Admin. Code 76.  <b>Resolution:</b> On January 26, 2009, Mr. Larry Mitchell, Environmental Compliance Coordinator, submitted documentation verifying that Well#2(G1110079B) has been operating, therefore no plugging report is required.	