



Control Number: 44875



Item Number: 1

Addendum StartPage: 0



PURSUANT TO PUC CHAPTER 24, SUBSTANTIVE RULES APPLICABLE TO WATER AND SEWER SERVICE PROVIDERS, SUBCHAPTER G: CERTIFICATES OF CONVENIENCE AND NECESSITY

Application to Obtain or Amend a Water or Sewer Certificate of Convenience and Necessity (CCN)

Docket Number: **44875**

(this number will be assigned by the Public Utility Commission after your application is filed)

7 copies of the application, including the original, shall be filed with

Public Utility Commission of Texas
Attention: Filing Clerk
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

2015 JUN 24 PM 3:38
FILED
CLEAN

If submitting digital map data, two copies of the portable electronic storage medium (such as CD or DVD) are required.

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Application to Obtain or Amend a Water or Sewer Certificate of Convenience and Necessity (CCN)

Purpose of Application

<input type="checkbox"/> Obtain	<input type="checkbox"/> New Water CCN	<input type="checkbox"/> New Sewer CCN
<input checked="" type="checkbox"/> Amend	<input checked="" type="checkbox"/> Water CCN# (s)	13203
<input checked="" type="checkbox"/> Amend	<input checked="" type="checkbox"/> Sewer CCN#(s)	21065

1. Applicant Information

Applicant

Utility name: Aqua Texas, Inc. d/b/a Aqua Texas

Certificate number: 13203 and 21065

Street address (City/ST/ZIP/Code): 1106 Clayton Lane, Suite 400W, Austin, Texas 78723

Mailing address(City/ST/ZIP/Code): 1106 Clayton Lane, Suite 400W, Austin, Texas 78723

Utility Phone Number and Fax: (512) 990-4400 (512) 990-4410 (fax)

Contact information

Please provide information about the person(s) to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant manager, or other title related to the applicant.

Name: Geoffrey P. Kirshbaum

Title: Attorney

Mailing address: 810 West 10th Street, Austin, Texas 78701

Email: gkirshbaum@terril-law.com

Phone and Fax:

(512) 474-9100

(512) 474-9888 (fax)

List all counties in which service is proposed:

Montgomery County, Texas

A. Check the appropriate box and provide information regarding the legal status of the applicant:

- Investor Owned Utility Individual Partnership
 Home or Property Owners Association For-profit Corporation
 Non-profit, member-owned, member-controlled cooperative corporation
(Water Code Chapter 67, Water Supply or Sewer Service Corporation)
 Municipality District Other - Please explain:

B. If the applicant is a For-Profit business or corporation, please include the following information:

- i. A copy of the corporation's "Certification of Account Status" from the Texas State Comptroller of Public Accounts. Attachment 1
- ii. The corporation's charter number as recorded with the Office of the Texas Secretary of State: 32014405503
- iii. A listing of all stockholders and their respective percentages of ownership. Aqua America, Inc. is the sole shareholder and owns 100%.
- iv. A copy of the company's organizational chart, if available. N/A
- v. A list of all directors and disclose the title of each individual. Attachment 2 - List of Aqua Texas, Inc.'s Officers
- vi. A list of all affiliated organizations (if any) and explain the affiliate's business relationship with the applicant. See next page.

C. If the applicant is a Texas Water Code (TWC) Chapter 67 water supply or sewer service corporation please provide:

- i. A copy of the Articles of Incorporation and By-Laws.
- ii. The corporation's charter number as recorded with the Office of the Texas Secretary of State.
- iii. Identification of all board members including name, address, title, and telephone number.
- iv. A copy of the corporation's *Certificate of Account Status* from the Texas Comptroller of Public Accounts.

2. Location Information

- A. Are there people already living in the proposed area? Yes No Currently, there are 2 tenants on the
If YES, are any currently receiving utility service? Yes No property who will vacate by July 1,
If YES, from WHOM? _____ 2015. They use water wells and
septic systems, not utility service.

I. B.

vi. A list of all affiliated organizations (if any) and explain the business affiliate's relationship with the applicant.

1. Aqua America, Inc.
Aqua Texas, Inc. is a wholly-owned subsidiary of Aqua America, Inc.
2. Aqua Utilities, Inc.
Aqua Utilities, Inc. is a wholly-owned subsidiary of Aqua America, Inc. Aqua Texas, Inc. and Aqua Utilities, Inc. are under common control and are two of the entities that operate together as the Texas utility known as Aqua Texas.
3. Other Aqua America, Inc. subsidiaries under common control with Aqua Texas, Inc. operate within jurisdictions outside of Texas, outside the Aqua Texas Southeast Region (where the proposed CCN area is located), or are not regulated utilities. Please see the attached excerpted portion of Aqua America, Inc.'s 2014 Annual Report for complete information. Attachment 3.

B. Demonstrate the Need for Service by providing the following:

Have you received any requests for service in the requested service area?

Yes No

If YES, provide the following: See following three pages.

- i. Describe the service area and circumstances driving the need for service in the requested area. Indicate the name(s) and address(es) of landowner(s), prospective landowner(s), tenant(s), or resident(s) that have requested service; and/or
- ii. Describe the economic need(s) for service in the requested area (i.e. plat approvals, recent annexation(s) or annexation request(s), building permits, septic tank permits, hospitals, etc.); and/or
- iii. Discuss in detail the environmental need(s) for service in the requested area (i.e. failing septic tanks in the requested area, fueling wells, etc.); and/or
- iv. Provide copies of any written application(s) or request(s) for service in the requested area; and/or
- v. Provide copies of any reports and/or market studies demonstrating existing or anticipated growth in the requested area.
- vi. If none of these items exist or are available, please justify the need for service in the proposed area in writing.

Note: Failure to demonstrate a need for additional service in the proposed service area may result in the delay and /or possible denial of the application.

C. Is any portion of the proposed service area inside an incorporated city or district?

Yes No

If YES, within the corporate limits of: N/A

Provide a copy of any franchise, permit, or consent granted by the city or district. If not available please explain:

N/A

D. Is any portion of the proposed service area inside another utility's CCN area?

Yes No

If YES, has the current CCN holder agreed to decertify the proposed area? N/A

If NO, are you seeking dual or single certification of the area? Explain why decertification of the area is in the public interest:

No.

II. B.

i. Describe the service area and circumstances driving the need for service in the requested area. Indicate the name(s) and address(es) of landowner(s), prospective landowner(s), tenant(s), or resident(s) that have requested service; and/or

RESPONSE:

The proposed amended certificate of convenience and necessity ("CCN") water and sewer service areas are each comprised of the same 195.46 acres ("Property") located on the south side of FM1488 at Old Conroe Road, in Montgomery County, Texas. Aqua Texas, Inc. ("Aqua Texas" or "Applicant") has existing water and sewer system facilities in close proximity and within ¼ mile of the Property. While owned by one family for more than 80 years, the Property is largely undeveloped; but its location is just outside of The Woodlands, a hub of new development and population growth that has been spreading throughout the region. See January 10, 2015 Houston Chronicle Article: "55 and up to have a new home: Del Webb plans a second housing development in the Houston area, this time near The Woodlands." Attachment 4. Pulte Homes of Texas, L.P. ("Pulte" or "Developer") purchased the Property with the intent of developing a new community under its Del Webb brand. *Id.*

On November 4, 2014, Pulte requested that Aqua Texas be the retail water and sewer utility provider for Pulte's development within the Property. See Request for Service Letter ("RFS Letter"). Attachment 5. The tract originally included approximately 201 acres, but approximately 5.6 acres was sold to a different entity with its own development plans. On December 4, 2014, Pulte and Aqua Texas entered an agreement that sets forth terms by which retail water and wastewater utility service will be provided to most of the Property by Aqua Texas and by which Aqua Texas will reimburse Pulte for certain construction costs associated with utility infrastructure for the Property ("Agreement"). Discussions are ongoing about separate development of approximately 3 acres of the Property not covered by the Agreement. However, Developer has reported to Applicant that service is still desired from Aqua Texas within that portion of the Property also. Therefore, all but approximately 5.6 acres of the tract Pulte originally requested service for is included in the Property and proposed for inclusion in Aqua Texas' CCN areas.

ii. Describe the economic need(s) for service in the requested area (i.e. plat approvals, recent annexation(s) or annexation request(s), building permits, septic tank permits, hospitals, etc.); and/or

RESPONSE:

The economic needs driving the need for service within the Property are discussed in the Houston Chronicle Article included in Attachment 4 which contains a general discussion of Pulte's development plans for the Property to include a new community under its Del Webb brand. The article discusses the fact that development plans include uses of a private water/sewer utility to avoid the need for municipal utility district taxes. The RFS Letter demonstrates Developer's plan to use Aqua Texas as the retail water and sewer utility service provider for the Property. Granting the CCN amendment Aqua Texas requests in this application will enable Aqua Texas to fulfill its commitment to serve the Property and facilitate Developer's plans for same.

Within the next twelve months, Developer anticipates a need for retail water and sewer utility service to the Property sufficient to supply 576 single family homes and a 12,000 square foot amenity building. The interested parties hope that the Commission will use best efforts to process this application quickly. Timing is important for project success. Inclusion of the Property within Aqua Texas' CCN will benefit the land by facilitating the Property improvements contemplated by Developer.

iii. Discuss in detail the environmental need(s) for service in the requested area (i.e. failing septic tanks in the requested area, fueling wells, etc.); and/or

RESPONSE:

Connecting the Property to Aqua Texas' nearby Old Egypt and Greenfield Forest wastewater systems will eliminate the need for septic systems within the property. This will represent an environmental benefit to the land in comparison to an alternative development plan that might use septic systems to meet wastewater needs. Developer also plans to enhance the creek that runs through the Property as a feature of the community.

iv. Provide copies of any written application(s) or request(s) for service in the requested area; and/or

RESPONSE:

Please see request for service letter dated November 4, 2014. Attachment 5.

v. Provide copies of any reports and/or market studies demonstrating existing or anticipated growth in the requested area.

RESPONSE:

Please see article included in Attachment 4 providing reported information about existing/anticipated growth in the requested area.

3. Map Requirements

Attach the following hard copy maps with each copy of the application:

- A. A location map delineating the proposed service area with enough detail to accurately locate the proposed area within the county. See Attachment 7.
- B. A map showing only the proposed area by: See Attachment 8.
 - i. metes and bounds survey certified by a licensed state or register professional land surveyor; or
 - ii. projectable digital data with metadata (proposed areas should be in a single record and clearly labeled). Also, a data disk labeled with the applicant's name must be provided; or
 - iii. following verifiable natural and man-made landmarks; or
 - iv. a copy of recorded plat map with metes and bounds.
- C. A written description of the proposed service area. See Attachment 9.
- D. Provide separate and additional maps of the proposed area(s) to show the following:
 - i. all facilities, illustrating separately facilities for production, transmission, and distribution of the applicant's service(s); and See Attachment 10.
 - ii. any facilities, customers or area currently being served outside the applicant's certificated area(s).

Note: Failure to provide adequate mapping information may result in the delay or possible denial of your application.

Digital data submitted in a format other than ArcView shape file or Arc/Info E00 file may result in the delay or inability to review applicant's mapping information.

For information on obtaining a CCN base map or questions about sending digital map data, please visit the Water Utilities section of the PUC website for assistance.

4. New System Information or Utilities Requesting a CCN for the First Time

- A. Please provide the following information: N/A
 - i. a list of public drinking water supply system(s) or sewer system(s) within a 2 mile radius of the proposed system;
 - ii. copies of written requests seeking to obtain service from each of the public drinking water systems or sewer systems listed in a. 1 above or documentation that it is not economically feasible to obtain service from each entity;
 - iii. copies of written responses from each system or evidence that they did not reply; and
 - iv. for sewer utilities, documentation showing that you have obtained or applied for a wastewater discharge permit.
- B. Were your requests for service denied? Yes No

- i. If yes, please provide documentation of the denial of service and go to c.
 - ii. If no, please provide a detailed analysis which justifies your reasons for not accepting service. A separate analysis must be prepared and submitted for each utility that granted your request for service.
- C. Please summarize how the proposed utility system will be constructed and describe each projected construction phase, if any:
- D. Date of plat approval, if required:
- E. Date Plans & Specifications submitted to the TCEQ for approval:
- F. Date construction is scheduled to commence: _____
- G. Date service is scheduled to commence: _____

5. Existing System Information

A. Please provide the following information for each water and/or sewer system, attach additional sheets if necessary.

i. Water system(s): TCEQ Public Water System identification number(s):

1700666 - Old Egypt Subdivision Water System											

ii. Sewer system(s): TCEQ Discharge Permit number(s)

WQ0014141001 -
Old Egypt
Wastewater
Treatment Facility

W	Q						-					W	Q						-				
W	Q						-					W	Q						-				
W	Q						-					W	Q						-				

- iii. Date of last TCEQ water and/or sewer system inspection(s): Water - March 20, 2012
Sewer - September 15, 2014
- iv. Attach a copy of the most recent TCEQ water and/or sewer inspection report letter(s). See Attachment 12.
- v. For each system deficiency listed in the TCEQ inspection report letter; attach a brief explanation listing the actions taken or being taken by the utility to correct the listed deficiencies, including the proposed completion dates.

B. Provide the following information about the utility’s certified water and/or sewer operators

Name	Classes	License Number
See Attachment 13.		

- Attach additional sheet(s) if necessary -

- C. Using the current number of customers, is any facility component in systems named in #5A above operating at 85% or greater of minimum standard capacity?
 Yes
 No
 Attach a copy of the 85% rule compliance document filed with the TCEQ if the system is operating at 85% or greater of the TCEQ’s minimum standard capacity requirements.

D. In the table below, the number of existing and/or proposed metered and non-metered connections (by size). The proposed number should reflect the information presented in the business plan or financial documentation and reflect the number of service requests identified in Question 2.b in the application.

TCEQ Water System			TCEQ Sewer System		
Connection	Existing	Proposed	Connection	Existing	Proposed
5/8" or 3/4" meter	623	576	Residential		576
1" meter or larger	85	1	Commercial	65	1
Non-Metered			Industrial		

TCEQ Water System			TCEQ Sewer System		
Other:			Other:		
Total Water	708	577	Total Sewer	65	577

E. If this application is for a water CCN only, please explain how sewer service is or will be provided:

Not applicable.

F. If this application is for a sewer CCN only, please explain how water service is or will be provided:

Not applicable.

G. Effect of Granting a Certificate Amendment.

Explain in detail the effect of granting of a certificate or an amendment, including, but not limited to regionalization, compliance and economic effects on the following:

- i. the applicant,
- ii. any retail public utility of the same kind already serving the proximate area; and
- iii. any landowner(s) in the requested area.

See next page.

H. Do you currently purchase or plan to purchase water or sewer treatment capacity from another source?

- i. No, (skip the rest of this question and go to #6)
- ii. Yes, Water

Purchased on a Regular Seasonal Emergency basis?

Water Source	% of Total Treatment

G. Effect of Granting a Certificate Amendment

Explain in detail the effect of granting of a certificate or an amendment, including, but not limited to regionalization, compliance and economic effects on the following:

- i. the applicant;
- ii. any retail public utility of the same kind already serving the proximate area; and
- iii. any landowner(s) in the requested area.

i. Aqua Texas, Inc. is an existing utility providing retail water and sewer utility service in multiple Texas counties, including Montgomery County, under CCN Nos. 13203 and 21065. Aqua Texas has facilities in Montgomery County located very close to the Property and well within two miles. Aqua Texas will use its existing nearby Aqua Texas facilities as the starting point to extend water and sewer service to the Property as proposed in this CCN amendment application. Thus, granting the CCN amendment as proposed will promote regionalized water and sewer utility service in this high growth area within Montgomery County. Aqua Texas has the financial, managerial, and technical capability to extend service to the planned development property in compliance with regulatory requirements. Aqua Texas plans to charge Southeast Region rates applicable to its Old Egypt water and wastewater systems for service to the proposed CCN amendment area. Adding connections will have the economic effect of increasing economies of scale for Aqua Texas' Southeast Region water and sewer utility service. Aqua Texas has the financial ability through customer collections and infusions of capital from lenders, as well as capital contributions from its parent Aqua America, Inc., to make any required improvements necessary in the future to meet TCEQ and PUC requirements for continuous and adequate service. For more information related to financial ability, please see 2014 Annual Report Excerpt, Attachment 3.

ii. Retail public utilities of the same kind serving proximate areas will not be able to serve the Property once certificated to Aqua Texas as proposed. However, the Developer has specifically requested that Aqua Texas be the utility provider for the Property.

iii. Granting the proposed CCN amendment will facilitate the landowner/Developer's planned project for the Property by making retail water and sewer utility service available from a preferred provider without the property taxes typically assessed by other types of retail public utilities, such as cities and districts.

Water Source	% of Total Treatment

iii. Yes, Sewer treatment capacity
Purchased on a Regular Seasonal Emergency basis?

Sewer Source	% of Total Treatment

- iv. Provide a signed and dated copy of the most current water or sewer treatment capacity purchase agreement or contract.
- I. Ability to Provide Adequate Service.
Describe the ability of the applicant to provide adequate service, including meeting the standards of the commission, taking both of the following items into consideration:
- i. the current and projected density; and
 - ii. the land use of the requested area. See next page.
- J. Effect on the Land. Explain the effect on the land to be included in the certificated area.

The land will be improved by granting the requested CCN amendment. The land is currently largely undeveloped.

6. Financial Information

- A. For new water and/or sewer systems and for applicants with existing CCNs who are constructing a new stand-alone water and/or sewer system:
- i. the applicant must provide an analysis of all necessary costs for constructing, operating, and maintaining the system, and the source of that capital (such as a financial statement for the developing entity) for which the CCN is requested for at least the first five years. In addition, if service has been offered by an existing retail water service provider as stated in #4.A., but the applicant has determined that the cost of service as finally offered renders the project not economically feasible, the applicant must provide a comparison analysis of all necessary costs for acquiring and continuing to receive service from the existing system for the same period.
 - ii. Attach projected profit and loss statements, cash flow worksheets, and balance sheets (projected five year financial plan worksheet is attached) for each of the first five years of operation. Income from rates

I. Ability to Provide Adequate Service.

Describe the ability of the applicant to provide adequate service, including meeting the standards of the commission, taking both of the following items into consideration:

- i the current and projected density; and
- ii. the land use of the requested area.

Aqua Texas is a subsidiary of Aqua America, Inc., one of the largest publicly traded water utilities in America. Aqua Texas currently operates hundreds of water and wastewater systems in Texas. The company has the financial ability to install the extensions necessary to serve the Property and to make all necessary follow-up repairs and improvements necessary to keep the Old Egypt water and wastewater systems in full compliance with all TCEQ and PUC regulations even after the proposed extensions and build-out within the Property are complete with its planned residential development and an amenity center. The company's experienced operators are thoroughly knowledgeable about water and wastewater operations and requirements for continuous and adequate service. Please see Applicants' response to section 5.G.i. above and Section 6 regarding Aqua Texas' financial ability. Please see facilities map and 2-mile maps showing Aqua Texas' current nearby CCN areas which collectively show the proposed water/sewer extensions to the Property. Attachments 7, 8, and 10.

should correlate to the projected growth in connections, shown on the projected profit and loss statement.

- iii. Attach a proposed rate schedule or tariff. Describe the procedure for determining the rates and fees and indicate the date of last change, if applicable. Attach copies of any cost of service studies or rate analysis worksheets.

B.

For existing water and/or sewer systems:

- i. Attach a profit and loss statement and current balance sheet for existing businesses (end of last fiscal year is acceptable). Describe sources and terms for borrowed capital such as loans, bonds, or notes (profit and loss and balance sheet worksheets are attached, if needed).
- ii. Attach a proposed rate schedule or tariff.

❖ **Note: An existing water and/or sewer system may be required to provide the information in 6.A.i. above during the technical review phase if necessary for staff to completely evaluate the application**

- C. Identify any funds you are required to accumulate and restrict by lenders or capital providers.

In lieu of the information in #6.A. thru #6.C., you may provide information concerning loan approvals within the last three (3) years from lending institutions or agencies including the most recent financial audit of the applicant.

See next page.

❖ **Note: Failure to provide adequate financial information may result in the delay or possible denial of your application.**

7. Notice Requirements

- A. All proposed notice forms must be completed and submitted with the application. Do not mail or publish the notices until you receive written approval from the commission to do so.
- B. The commission cannot grant a CCN until proper notice of the application has been given. Commission rules do not allow a waiver of notice requirements for CCN applicants.
- C. It is the applicant's responsibility to ensure that proper notice is given to all entities that are required to receive notice.
- D. Recommended notice forms for publication, neighboring cities and systems, landowners with 25 acres or more, and customers are included with this application for use in preparing proposed notices. (Notice forms are available in Spanish upon request.)
- E. After reviewing and, if necessary, modifying the proposed notice, the commission will send the notice to the applicant after the application is accepted for filing along with instructions for publication and/or mailing. Please review the notice carefully before providing the notice.
- F. Notice For Publication:
The applicant shall publish the notice in a newspaper with general circulation in the county(ies) where a CCN is being requested. The notice must be published once each week for two consecutive weeks beginning with the week after the notice is received from the commission. Proof of publication in the form of a publisher's affidavit shall be submitted to the commission within 30 days of the last publication date. The affidavit shall state with specificity each county in which the newspaper is of general circulation.
- G. Notice To Neighboring Utilities:
 - i. List all neighboring retail public utilities and cities providing the same utility service within the following vicinities of the applicant's proposed certificate area.
 - ii. For applications for the issuance of a NEW CCN, the applicant must mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within five (5) miles of the requested service area.

6.D Financial Information

In lieu of all the financial info described above, there is an option to “provide information concerning loan approvals within the last three (3) years from lending institutions or agencies including the most recent financial audit of the applicant.”

Please see: Attachment 3 - Aqua America, Inc. 2014 Annual Report Excerpt. Audits for Aqua Texas, Inc. are conducted annually. That information is reflected collectively with other Aqua America, Inc. subsidiaries within the Aqua America, Inc. annual reports.

Aqua Texas, Inc.’s Old Egypt water and sewer systems are included within its “Water Utility Tariff for Southeast Region” and “Sewer Utility Tariff for Southeast Region,” respectively. Since service extensions to the Property will connect to those systems, the current water and sewer rates within those approved tariffs will extend to these additional CCN service areas upon approval of the requested CCN amendment. Please see Water and Sewer Tariffs Included as Attachment 14.

- iii. For applications for the AMENDMENT of a CCN, the applicant must mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within two (2) miles of the requested service area.
- H. Notice to Customers:
Investor Owned Utilities (IOUs) that are currently providing service without a CCN must provide individual mailed notice to all current customers. The notice must contain the current rates, the date those rates were instituted and any other information required in the application.
- I. The commission may require the applicant to deliver notice to other affected persons or agencies.

Do not publish or send copies of the proposed notices to anyone at the time you submit the application to the commission. Wait until you receive written authorization to do so. Authorization occurs after the commission has reviewed the notices for completeness, and your application has been accepted for filing. Once the application is accepted for filing, you will receive written authorization to provide notice. Please check the notices for accuracy before providing them to the public. It is the applicant's burden to ensure that correct and accurate notice is provided.

Entities to be Noticed:

Cities - City of Conroe

Neighboring Systems -

- Montgomery Place
- Quadvest, LP
- Westwood North WSC
- Everett Square, Inc.
- Community Utility Co.
- Woodland Oaks Utility Co., Inc.
- MCMUD 46
- MCMUD 47
- MCMUD 60
- MCMUD 67
- MCMUD 112

Landowners -

Pulte Homes of Texas, LP

Districts - Lone Star Groundwater Conservation District

Montgomery County Judge - Craig Doyal

OATH

STATE OF Texas
COUNTY OF Travis

I, Robert L. Laughman, being duly sworn, file this application as President, Aqua Texas, Inc. (indicate relationship to Applicant, that is, owner, member of partnership, title as officer of corporation, or other authorized representative of Applicant); that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the maps and financial information filed with this application, and have complied with all the requirements contained in this application; and, that all such statements made and matters set forth therein are true and correct. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Public Utility Commission of Texas.

I further represent that the application form has not been changed, altered or amended from its original form.

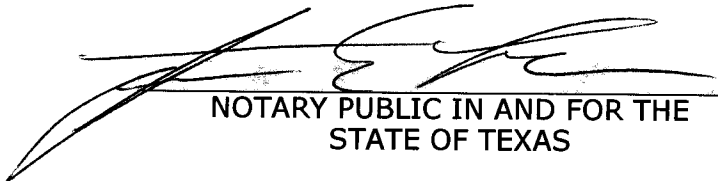
I further represent that the Applicant will provide continuous and adequate service to all customers and qualified applicants for service within its certificated service area.


AFFIANT
(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

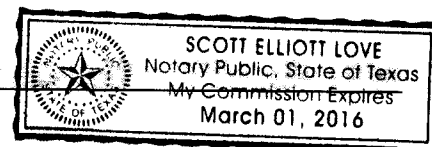
SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas,
This day 11th of June 20 15

SEAL


NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

Scott E. Love
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES



Notice for Publication

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) TO PROVIDE WATER/SEWER UTILITY SERVICE IN Montgomery COUNTY(IES), TEXAS

Name of Applicant AQUA TEXAS, INC. has filed an application for a CCN to obtain or amend CCN No. (s) 13203 and 21065

with the Public Utility commission of Texas to provide water and sewer
(specify 1) water or 2) sewer or 3) water & sewer)

utility service in Montgomery County (ies).

The proposed utility service area is located approximately 8 miles southwest [direction] of downtown Conroe, [City or Town] Texas, and is generally bounded on the north by FM 1488; on the east by Buckshot Lane; on the south by Research Forest; and on the west by Stonebridge Church Dr. Dr.

See enclosed map of the proposed service area.

The total area being requested includes approximately 195.5 acres and 0 current customers.

A copy of the proposed service area map is available at (Utility Address and Phone Number): 2211 Louetta Spring Rod., Spring, Texas 77388, (281) 651-0174

A request for a public hearing must be in writing. You must state (1) your name, mailing address, and daytime telephone number; (2) the applicant's name, application number or another recognizable reference to this application; (3) the statement, "I/we request a public hearing"; (4) a brief description of how you or the persons you represent, would be adversely affected by the granting of the application for a CCN; and (5) your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

Persons who wish to intervene or comment should file with the PUC at the following address:

Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

within thirty (30) days from the date of this publication or notice. A public hearing will be held only if a legally sufficient hearing request is received or if the commission on its own motion requests a hearing. Only those individuals who submit a written hearing request or a written request to be notified if a hearing is set will receive notice if a hearing is scheduled.

If a public hearing is requested, the commission will not issue the CCN and will forward the application to the State Office of Administrative Hearings (SOAH) for a hearing. If no settlement is reached and an evidentiary hearing is held, the SOAH will submit a recommendation to the commission for final decision. If an evidentiary hearing is held, it will be a legal proceeding similar to a civil trial in state district court.

If you are a landowner with a tract of land at least 25 acres or more, that is partially or wholly located within the proposed area, you may request to be excluded from the proposed area (or "opt out") by providing written notice to the commission within (30) days from the date that notice was provided by the applicant. All requests to opt out of the requested service area must include a scaled, general location map and a metes and bounds description of the tract of land.

Persons who meet the requirements to opt out, and wish to request this option should file the required documents with the:

Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

A copy of the request to opt out of the proposed area must also be sent to the applicant. Staff may request additional information regarding your request.

Si desea informacion en Espanol, puede llamar al 1-888-782-8477

Notice to Neighboring Systems, Landowners and Cities

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) TO PROVIDE WATER/SEWER UTILITY SERVICE IN

Montgomery

COUNTY(IES), TEXAS

To: All Neighboring Systems, Landowners, and Cities
(Neighboring System, Landowner or City)

Date Notice Mailed 20 15

See attached list

(Address)

City

State

Zip

Name of Applicant Aqua Texas, Inc. has filed an application for a CCN to obtain or amend CCN No. (s) 13203 and 21065

with the Public Utility Commission of Texas to provide

water and sewer

(specify 1) water or 2) sewer or 3) water & sewer)

utility service in Montgomery

County(ies).

The proposed utility service area is located approximately 8 miles southwest [direction] of downtown Conroe, [City or Town] Texas, and is generally bounded on the north by FM 1488; on the east by Buckshot Lane; on the south by Research Forest Dr.; and on the west by Stonebridge Church Dr.

See enclosed map of the proposed service area.

The total area being requested includes approximately 195.5 acres and 0 current customers.

A request for a public hearing must be in writing. You must state (1) your name, mailing address, and daytime telephone number; (2) the applicant's name, application number or another recognizable reference to this application; (3) the statement, "I/we request a public hearing"; (4) a brief description of how you or the persons you represent, would be adversely affected by the granting of the application for a CCN; and (5) your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

Persons who wish to intervene or comment should write the:

Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

within thirty (30) days from the date of this publication or notice. A public hearing will be held only if a legally sufficient hearing request is received or if the commission on its own motion requests a hearing. Only those individuals who submit a written hearing request or a written request to be notified if a hearing is set will receive notice if a hearing is scheduled.

If a public hearing is requested, the commission will not issue the CCN and will forward the application to the State Office of Administrative Hearings (SOAH) for a hearing. If no settlement is reached and an evidentiary hearing is held, the SOAH will submit a recommendation to the commission for final decision. If an evidentiary hearing is held, it will be a legal proceeding similar to a civil trial in state district court.

If you are a landowner with a tract of land at least 25 acres or more, that is partially or wholly located within the proposed area, you may request to be excluded from the proposed area (or "opt out") by providing written notice to the commission within (30) days from the date that notice was provided by the applicant. All requests to opt out of the requested service area must include a scaled, general location map and a metes and bounds description of the tract of land.

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Austin, Texas 78711-3326

A copy of the request to opt out of the proposed area must also be sent to the applicant. Staff may request additional information regarding your request.

Si desea informacion en Espanol, puede llamar al 1-888-782-8477

ATTACHMENTS:

Attachment 1 – Aqua Texas, Inc.'s Tax Account Status

Attachment 2 – List of Officers of Aqua Texas, Inc.

Attachment 3 – Excerpts from 2014 Aqua America, Inc.'s Annual Report

Attachment 4 – Houston Chronicle Article

Attachment 5 – Pulte Homes' Request for Service Letter

Attachment 6 – List of Current Landowners

Attachment 7 – Water and Sewer Location Maps

Attachment 8 – Water and Sewer CCN Maps

Attachment 9 – Field Notes

Attachment 10 – Utility Exhibit Map

Attachment 11 – 2-mile System List and Maps

Attachment 12 – TCEQ Water and Sewer Inspection Reports

Attachment 13 – List of Operators

Attachment 14 – Aqua Texas, Inc.'s Southeast Region Water and Sewer Tariffs

Attachment

1



Franchise Tax Account Status

As of: 03/06/2015 10:32:33 AM

This Page is Not Sufficient for Filings with the Secretary of State

AQUA TEXAS, INC.

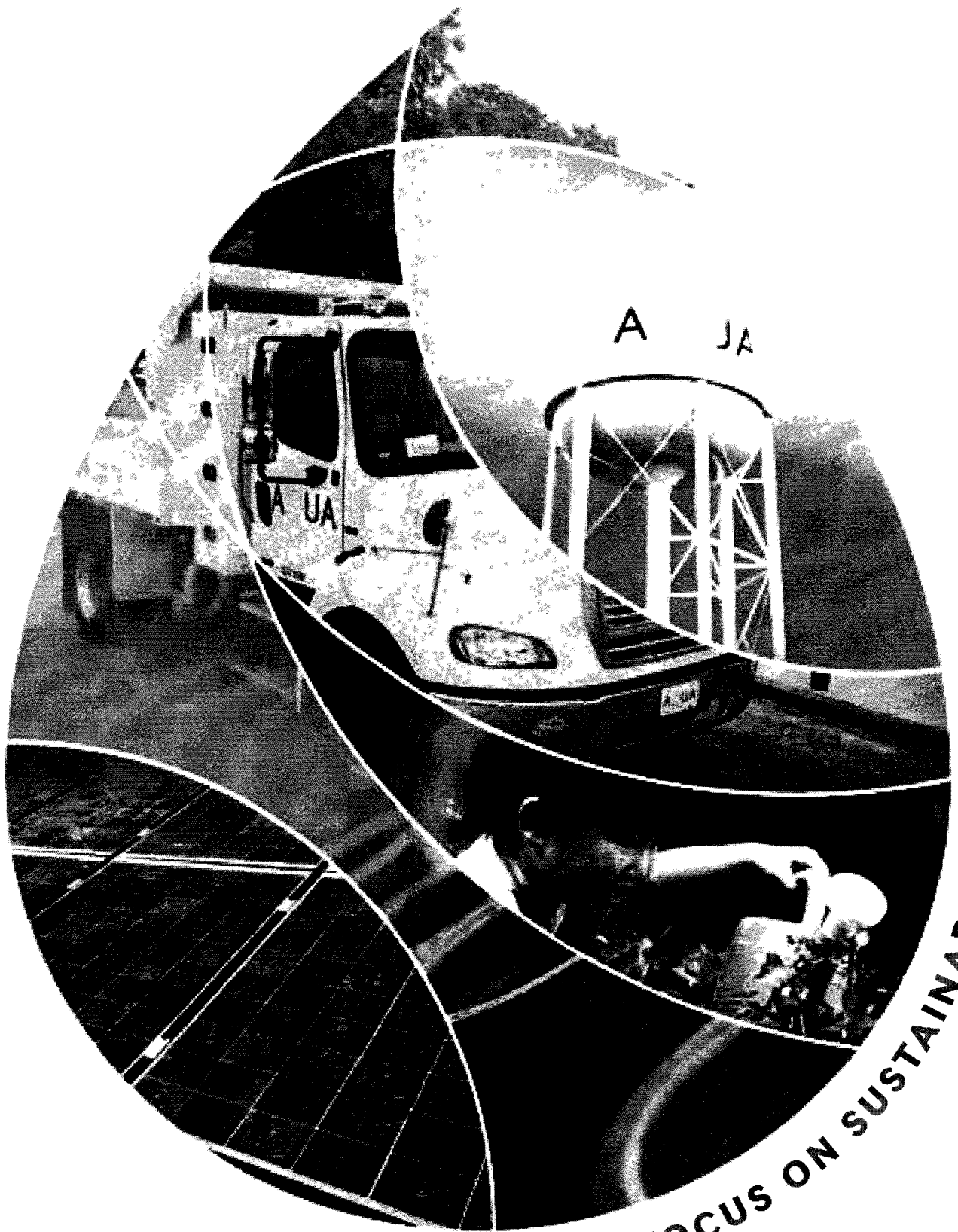
Texas Taxpayer Number 32014405503
Mailing Address 1106 CLAYTON LN STE 400W
AUSTIN, TX 78723-2476
Right to Transact Business ACTIVE
in Texas
State of Formation TX
Effective SOS Registration 02/13/2004
Date
Texas SOS File Number 0800304878
Registered Agent Name CORPORATION SERVICE COMPANY D/B/A CSC-
LAWYERS INCO
Registered Office Street 211 E. 7TH STREET SUITE 620
Address AUSTIN, TX 78701

Attachment 2

Officers of Aqua Texas, Inc.

Nicholas DeBenedictis	Chairman and Chief Executive Officer
Christopher H. Franklin	Executive Vice President and Chief Operating Officer
David P. Smeltzer	Executive Vice President and Chief Financial Officer
Karl M. Kyriss	Executive Vice President
William C. Ross	Senior Vice President, Engineering and Environmental Affairs
Christopher P. Luning	Senior Vice President and General Counsel
Robert L. Laughman	President
Richard S. Fox	Regional President
Dan Rimann	Vice President, Operations
Robert Kopas	Regional Controller
Crandall McDougal	Controller
Diana Moy Kelly	Treasurer
Robert A. Rubin	Assistant Treasurer
Stan Szczygiel	Assistant Treasurer
Maria Gordiany	Secretary
Jaqueline Peyreferry	Assistant Secretary

Attachment 3



FOCUS ON SUSTAINABILITY

AQUA

2014 ANNUAL REPORT



Aqua America (NYSE: WTR) is one of the nation's largest publicly traded water and wastewater utilities, serving nearly 3 million people across eight states: Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Indiana and Virginia.

For nearly 130 years, our top priority has been to deliver safe, affordable drinking water to our customers.

LAYING THE GROUNDWORK FOR A BETTER TOMORROW

But our commitment doesn't end there. Aqua recognizes that as stewards of Earth's most recycled natural resource, we have a responsibility to take equal care in preparing fresh water for drinking as well as treating wastewater for its return to Earth. By leveraging our industry expertise, we have successfully employed engineering, technology and sophisticated business principles to grow Aqua into one of the nation's most efficient and financially sound utilities — all while maintaining our commitment to being a sustainable and environmentally responsible company.

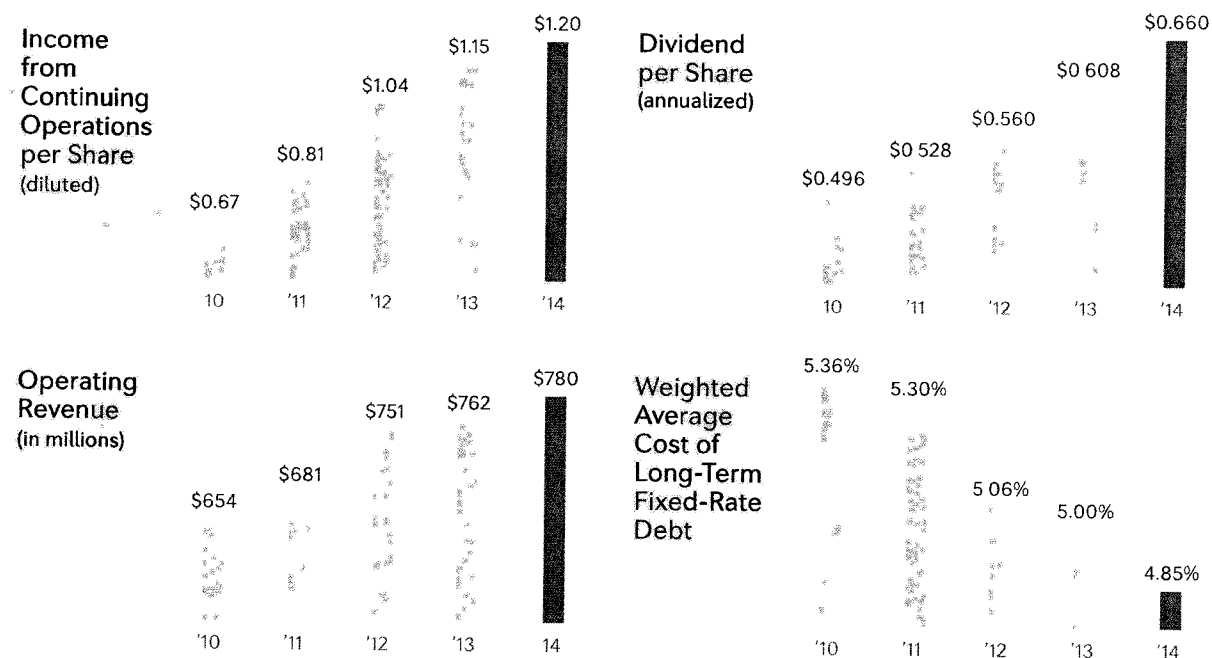
Learn about the many ways Aqua is investing in the future — through infrastructure improvement projects, our solar energy program and our continually expanding compressed natural gas fleet, to name a few. Aqua believes in investing in the future for our customers, the communities we serve, our employees and our shareholders. Together, we are laying the groundwork for a better tomorrow.

FINANCIAL HIGHLIGHTS

(in thousands of dollars, except per-share amounts)

	2014	2013	% Change
Income from continuing operations	\$ 213,884	\$ 202,871	5%
Net income	233,239	221,300	5%
Diluted income from continuing operations per common share	1.20	1.15	4%
Diluted net income per common share	1.31	1.25	5%
Annualized dividend rate per common share (12/31)	0.66	0.61	9%
Aqua America stockholders' equity	1,655,343	1,534,835	8%
Total assets	5,406,752	5,051,817	7%
Number of utility customers served ⁽¹⁾	940,119	928,200	1%

(1) 2013 excludes 12 808 customers associated with utility systems disposed of during 2014

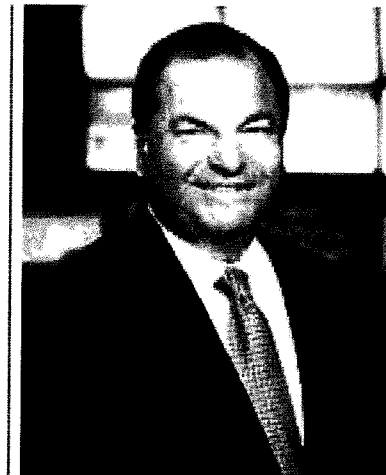


CHAIRMAN'S MESSAGE

March 10, 2015

This was another successful year for Aqua America with 2014 marking our 15th consecutive year of earnings growth. Despite unfavorable weather, including severe winter conditions, income from continuing operations was up 5.4 percent for the year

Aqua's Board of Directors increased the quarterly cash dividend to \$0.165 per share from \$0.152 per share effective for the September 1, 2014 quarterly dividend. This represents an 8.6 percent increase and is the 24th dividend increase in 23 years. Additionally, Aqua's total shareholder return for 2014 was 15.9 percent compared to 13.7 percent for the Standard & Poor's (S&P) 500 Index.



In early 2014, much of the Midwest and Northeast endured a polar vortex. A weather event of this magnitude can adversely affect aging water distribution systems and reinforces the need to invest in America's infrastructure. Our employees worked diligently to fix main breaks and thaw service lines to keep water flowing to our customers.

Our long-term proactive effort to replace our distribution system over recent years helped minimize the damage we sustained. Of the 342 main breaks in Pennsylvania during the first quarter, only one occurred on the newest technology pipe replaced since 1995.

Aqua invested \$329 million in 2014 to improve infrastructure across all of our regulated operations. The company projects an additional investment of \$1 billion over the next three years as we continue to focus on providing our customers with the quality drinking water and reliable wastewater service they deserve.

Our growth-through-acquisition strategy resulted in 16 acquisitions in Illinois, New Jersey, North Carolina, Ohio, Pennsylvania, Texas and Virginia. Acquisitions, complemented by organic growth, grew our customer base by 1.3 percent. With the closing of two municipal deals in 2014 and more targeted for 2015, we believe our efforts in the municipal market are accelerating.

Our non-regulated business revenues grew 37 percent, and we made two noteworthy acquisitions in 2014. The first, Tri-State Grouting, specializes in inspecting, cleaning, lining and televising storm and sanitary sewer lines. The second acquisition was a water distribution system services and consulting company. These acquisitions will expand and complement our non-regulated operations, which currently represent 3 percent of our revenues, and provide future opportunities for growth.

Aqua's largest subsidiary, Aqua Pennsylvania, continues to maintain its S&P A+ rating. Of the 221 electric, gas and water utilities rated by S&P, only one has a higher rating than Aqua Pennsylvania. The company has also lowered its weighted cost of fixed-rate long-term debt to 4.85 percent.

Through a public-private partnership, Aqua Indiana profitably sold its drinking water system assets in Allen County to the City of Fort Wayne for \$67 million. In addition, we entered into a 10-year agreement to process a portion of the city's wastewater flow starting in 2016. This deal will add approximately \$1.5 million in annual wastewater revenue. The successful completion of this transaction, as well as the conclusion in 2013 of the company's portfolio rationalization program, which began in 2010, have collectively produced \$175.9 million in cash proceeds.

In 2015, I plan to retire as CEO. It has been an absolute pleasure serving Aqua shareholders over the past 23 years. I intend to stay, if elected, as Non-Executive Chairman of the Board to help with the leadership transition and assist with the company's strategic growth initiatives. I am proud of the accomplishments we have achieved during my tenure. We grew the company's net income by 5,334 percent, increased the dividend annually for all 23 years, and, most importantly, delivered total shareholder return during that time, which allowed a \$1,000 investment to grow to nearly \$16,000.

Thank you for your continued confidence in Aqua.



Nicholas DeBenedictis
Chairman, President and CEO

AQUA™

275
MILLION

PEOPLE RECEIVE
DRINKING WATER



1447

PUBLIC WATER SYSTEMS
OWNED AND OPERATED

187

WASTEWATER
TREATMENT PLANTS
AND COLLECTION
SYSTEMS OWNED
AND OPERATED



250K

PEOPLE
RECEIVE
WASTEWATER
SERVICE





AQUASM

Aqua America, Inc.
2014 FINANCIAL DATA

AQUA AMERICA, INC. AND SUBSIDIARIES

Management's Report On Internal Control Over Financial Reporting

Management of Aqua America, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In assessing the effectiveness of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control-Integrated Framework* (2013). As a result of management's assessment and based on the criteria in the framework, management has concluded that, as of December 31, 2014, the Company's internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.



Nicholas DeBenedictis

Chairman, President and Chief Executive Officer

February 27, 2015



David P. Smeltzer

Executive Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Aqua America, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of net income, of comprehensive income, of capitalization, of equity and of cash flows present fairly, in all material respects, the financial position of Aqua America, Inc. and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014 based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 27, 2015

AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF NET INCOME

(In thousands, except per share amounts)

Years ended December 31, 2014, 2013, and 2012

	2014	2013	2012
Operating revenues	\$ 779,903	\$ 761,893	\$ 750,685
Operating costs and expenses:			
Operations and maintenance	288,556	283,561	270,042
Depreciation	123,054	118,414	110,927
Amortization	3,481	5,571	5,253
Taxes other than income taxes	50,453	52,685	46,857
Total operating expenses	<u>465,544</u>	<u>460,231</u>	<u>433,079</u>
Operating income	314,359	301,662	317,606
Other expense (income):			
Interest expense, net	76,397	77,316	77,757
Allowance for funds used during construction	(5,134)	(2,275)	(4,142)
Loss (gain) on sale of other assets	4	(148)	(1,090)
Equity loss (earnings) in joint venture	3,989	2,665	(1,976)
Income from continuing operations before income taxes	<u>239,103</u>	<u>224,104</u>	<u>247,057</u>
Provision for income taxes	25,219	21,233	65,220
Income from continuing operations	<u>213,884</u>	<u>202,871</u>	<u>181,837</u>
Discontinued operations:			
Income from discontinued operations before income taxes	32,155	28,311	24,404
Provision for income taxes	12,800	9,882	9,678
Income from discontinued operations	<u>19,355</u>	<u>18,429</u>	<u>14,726</u>
Net income attributable to common shareholders	<u>\$ 233,239</u>	<u>\$ 221,300</u>	<u>\$ 196,563</u>
Income from continuing operations per share:			
Basic	<u>\$ 1.21</u>	<u>\$ 1.15</u>	<u>\$ 1.04</u>
Diluted	<u>\$ 1.20</u>	<u>\$ 1.15</u>	<u>\$ 1.04</u>
Income from discontinued operations per share:			
Basic	<u>\$ 0.11</u>	<u>\$ 0.10</u>	<u>\$ 0.08</u>
Diluted	<u>\$ 0.11</u>	<u>\$ 0.10</u>	<u>\$ 0.08</u>
Net income per common share:			
Basic	<u>\$ 1.32</u>	<u>\$ 1.26</u>	<u>\$ 1.13</u>
Diluted	<u>\$ 1.31</u>	<u>\$ 1.25</u>	<u>\$ 1.12</u>
Average common shares outstanding during the period:			
Basic	<u>176,864</u>	<u>176,140</u>	<u>174,201</u>
Diluted	<u>177,763</u>	<u>176,814</u>	<u>174,918</u>
Cash dividends declared per common share	<u>\$ 0.634</u>	<u>\$ 0.584</u>	<u>\$ 0.536</u>

See accompanying notes to consolidated financial statements.

AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of dollars)

Years ended December 31, 2014, 2013, and 2012

	2014	2013	2012
Net income attributable to common shareholders	\$ 233,239	\$ 221,300	\$ 196,563
Other comprehensive income, net of tax:			
Unrealized holding gain on investments, net of tax expense of \$104, \$76, and \$106 for the years ended December 31, 2014, 2013, and 2012, respectively	193	141	198
Reclassification adjustment for loss (gain) reported in net income, net of tax (benefit) expense of \$(134), \$(49), and \$182 for the twelve months ended December 31, 2014, 2013, and 2012, respectively (1)	249	90	(339)
Comprehensive income	\$ 233,681	\$ 221,531	\$ 196,422

See accompanying notes to consolidated financial statements.

(1) Amount of pre-tax loss (gain) of \$383, \$139, and \$(521) reclassified from accumulated other comprehensive income to loss (gain) on sale of other assets on the consolidated statements of net income for the years ended December 31, 2014, 2013, and 2012, respectively.

AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands of dollars, except per share amounts)

December 31, 2014 and 2013

	2014		2013
Assets			
Property, plant and equipment, at cost	\$ 5,707,017	\$	5,350,868
Less: accumulated depreciation	1,305,027		1,212,300
Net property, plant and equipment	<u>4,401,990</u>		<u>4,138,568</u>
Current assets			
Cash and cash equivalents	4,138		5,058
Accounts receivable and unbilled revenues, net	96,999		94,704
Income tax receivable	-		7,873
Deferred income taxes	26,849		40,038
Inventory, materials and supplies	12,788		11,353
Prepayments and other current assets	11,748		11,081
Assets of discontinued operations held for sale	-		30,747
Total current assets	<u>152,522</u>		<u>200,854</u>
Regulatory assets	725,591		585,140
Deferred charges and other assets, net	52,084		50,290
Investment in joint venture	43,334		48,695
Funds restricted for construction activity	47		47
Goodwill	31,184		28,223
Total assets	<u>\$ 5,406,752</u>	<u>\$</u>	<u>5,051,817</u>
Liabilities and Equity			
Aqua America stockholders' equity			
Common stock at \$ 50 par value, authorized 300,000,000 shares, issued 178,591,254 and 177,928,922 in 2014 and 2013	\$ 89,296	\$	88,964
Capital in excess of par value	758,145		743,335
Retained earnings	849,952		729,272
Treasury stock, at cost, 1,837,984 and 1,178,323 shares in 2014 and 2013	(42,838)		(27,082)
Accumulated other comprehensive income	788		346
Total Aqua America stockholders' equity	<u>1,655,343</u>		<u>1,534,835</u>
Noncontrolling interest	40		208
Total equity	<u>1,655,383</u>		<u>1,535,043</u>
Long-term debt, excluding current portion	1,560,655		1,468,583
Commitments and contingencies (See Note 9)	-		-
Current liabilities			
Current portion of long-term debt	58,615		86,288
Loans payable	18,398		36,740
Accounts payable	63,035		65,815
Accrued interest	12,437		13,615
Accrued taxes	31,462		14,176
Other accrued liabilities	41,388		33,596
Liabilities of discontinued operations held for sale	-		29,649
Total current liabilities	<u>225,335</u>		<u>279,879</u>
Deferred credits and other liabilities			
Deferred income taxes and investment tax credits	1,000,791		866,211
Customers' advances for construction	78,301		73,892
Regulatory liabilities	278,317		281,014
Other	109,692		81,552
Total deferred credits and other liabilities	<u>1,467,101</u>		<u>1,302,669</u>
Contributions in aid of construction	498,278		465,643
Total liabilities and equity	<u>\$ 5,406,752</u>	<u>\$</u>	<u>5,051,817</u>

See accompanying notes to consolidated financial statements.

AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CAPITALIZATION

(In thousands of dollars, except per share amounts)

December 31, 2014 and 2013

	2014	2013
Aqua America stockholders' equity:		
Common stock, \$.50 par value	\$ 89,296	\$ 88,964
Capital in excess of par value	758,145	743,335
Retained earnings	849,952	729,272
Treasury stock, at cost	(42,838)	(27,082)
Accumulated other comprehensive income	788	346
Total Aqua America stockholders' equity	1,655,343	1,534,835
Noncontrolling interest	40	208
Total equity	1,655,383	1,535,043
Long-term debt of subsidiaries (substantially secured by utility plant):		
<u>Interest Rate Range</u>		
0.00% to 0.99%	2023 to 2033	5,653
1.00% to 1.99%	2016 to 2035	24,871
2.00% to 2.99%	2024 to 2031	15,578
3.00% to 3.99%	2016 to 2047	190,875
4.00% to 4.99%	2020 to 2054	484,168
5.00% to 5.99%	2015 to 2043	242,102
6.00% to 6.99%	2015 to 2036	64,944
7.00% to 7.99%	2022 to 2027	34,424
8.00% to 8.99%	2021 to 2025	18,907
9.00% to 9.99%	2018 to 2026	27,800
10.00% to 10.99%	2018	6,000
	1,115,322	1,101,339
Notes payable to bank under revolving credit agreement, variable rate, due 2017	72,000	-
Unsecured notes payable:		
Bank note at 1.921% due 2017	50,000	-
Notes at 3.57% due 2027	50,000	50,000
Notes ranging from 4.62% to 4.87%, due 2016 through 2024	144,400	171,400
Notes ranging from 5.01% to 5.95%, due 2014 through 2037	187,548	232,132
Total long-term debt	1,619,270	1,554,871
Current portion of long-term debt	58,615	86,288
Long-term debt, excluding current portion	1,560,655	1,468,583
Total capitalization	\$ 3,216,038	\$ 3,003,626

See accompanying notes to consolidated financial statements.

AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

(In thousands of dollars)

	Common stock	Capital in excess of par value	Retained earnings	Treasury stock	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
Balance at December 31, 2011	\$ 69,762	\$ 686,106	\$ 508,334	\$ (13,145)	\$ 256	\$ 504	\$ 1,251,817
Net income	-	-	196,563	-	-	17	196,580
Purchase of subsidiary shares from noncontrolling interest	-	-	-	-	-	(333)	(333)
Other comprehensive loss, net of income tax of \$76	-	-	-	-	(141)	-	(141)
Dividends	-	-	(93,423)	-	-	-	(93,423)
Sale of stock (726,093 shares)	285	12,610	-	295	-	-	13,190
Repurchase of stock (77,355 shares)	-	-	-	(1,818)	-	-	(1,818)
Equity compensation plan (19,015 shares)	8	(8)	-	-	-	-	-
Exercise of stock options (1,041,796 shares)	417	14,181	-	-	-	-	14,598
Stock-based compensation	-	5,593	(171)	-	-	-	5,422
Balance at December 31, 2012	70,472	718,482	611,303	(14,668)	115	188	1,385,892
Net income	-	-	221,300	-	-	20	221,320
Other comprehensive income, net of income tax of \$125	-	-	-	-	231	-	231
Dividends	-	-	(102,889)	-	-	-	(102,889)
Stock split	17,655	(17,655)	-	-	-	-	-
Sale of stock (449,129 shares)	188	9,693	-	409	-	-	10,290
Repurchase of stock (415,233 shares)	-	-	-	(12,823)	-	-	(12,823)
Equity compensation plan (43,500 shares)	17	(17)	-	-	-	-	-
Exercise of stock options (1,566,089 shares)	632	25,066	-	-	-	-	25,698
Stock-based compensation	-	5,066	(442)	-	-	-	4,624
Employee stock plan tax benefits	-	2,700	-	-	-	-	2,700
Balance at December 31, 2013	88,964	743,335	729,272	(27,082)	346	208	1,535,043
Net income	-	-	233,239	-	-	40	233,279
Purchase of subsidiary shares from noncontrolling interest	-	-	-	-	-	(208)	(208)
Other comprehensive income, net of income tax of \$238	-	-	-	-	442	-	442
Dividends	-	-	(112,106)	-	-	-	(112,106)
Repurchase of stock (659,666 shares)	-	-	-	(15,756)	-	-	(15,756)
Equity compensation plan (212,920 shares)	107	(107)	-	-	-	-	-
Exercise of stock options (449,412 shares)	225	7,071	-	-	-	-	7,296
Stock-based compensation	-	6,811	(453)	-	-	-	6,358
Employee stock plan tax benefits	-	1,828	-	-	-	-	1,828
Other	-	(793)	-	-	-	-	(793)
Balance at December 31, 2014	\$ 89,296	\$ 758,145	\$ 849,952	\$ (42,838)	\$ 788	\$ 40	\$ 1,655,383

See accompanying notes to consolidated financial statements.

AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of dollars)

Years ended December 31, 2014, 2013, and 2012

	2014	2013	2012
Cash flows from operating activities			
Net income attributable to common shareholders	\$ 233,239	\$ 221,300	\$ 196,563
Income from discontinued operations	19,355	18,429	14,726
Income from continuing operations	213,884	202,871	181,837
Adjustments to reconcile income from continuing operations to net cash flows from operating activities:			
Depreciation and amortization	126,535	123,985	116,180
Deferred income taxes	31,477	26,699	77,217
Provision for doubtful accounts	5,838	4,708	4,785
Share-based compensation	6,819	5,066	5,550
Gain on sale of utility system	-	(1,025)	-
Loss (gain) on sale of other assets	4	(148)	(1,090)
Net (increase) decrease in receivables, inventory and prepayments	(20,299)	4,466	(4,937)
Net increase (decrease) in payables, accrued interest, accrued taxes and other accrued liabilities	470	(13,425)	12,815
Decrease (increase) in income tax receivable	7,873	8,209	(16,082)
Other	(7,713)	4,003	(452)
Operating cash flows from continuing operations	364,888	365,409	375,823
Operating cash flows (used in) from discontinued operations, net	(1,100)	2,410	(7,416)
Net cash flows from operating activities	363,788	367,819	368,407
Cash flows from investing activities:			
Property, plant and equipment additions, including the debt component of allowance for funds used during construction of \$1,494, \$1,742, and \$3,954	(328,605)	(307,908)	(347,098)
Acquisitions of utility systems and other, net	(14,616)	(14,997)	(121,248)
Release of funds previously restricted for construction activity	-	23,531	67,498
Additions to funds restricted for construction activity	-	(6)	(2,165)
Net proceeds from the sale of utility systems and other assets	558	5,315	3,819
Investment in joint venture	-	(14,700)	(33,856)
Other	279	76	(1,512)
Investing cash flows used in continuing operations	(342,384)	(308,689)	(434,562)
Investing cash flows from discontinued operations, net	49,883	87,126	69,887
Net cash flows used in investing activities	(292,501)	(221,563)	(364,675)
Cash flows from financing activities:			
Customers' advances and contributions in aid of construction	6,064	5,114	6,821
Repayments of customers' advances	(4,028)	(4,303)	(5,958)
Net repayments of short-term debt	(18,342)	(43,643)	(27,388)
Proceeds from long-term debt	317,699	263,834	300,109
Repayments of long-term debt	(253,192)	(300,323)	(202,203)
Change in cash overdraft position	(322)	9,872	(10,929)
Proceeds from issuing common stock	-	10,290	13,190
Proceeds from exercised stock options	7,296	25,698	14,598
Share-based compensation windfall tax benefits	1,422	2,420	-
Repurchase of common stock	(15,756)	(12,823)	(1,464)
Dividends paid on common stock	(112,106)	(102,889)	(93,423)
Other	(793)	-	-
Financing cash flows used in continuing operations	(72,058)	(146,753)	(6,647)
Financing cash flows (used in) from discontinued operations, net	(149)	34	232
Net cash flows used in financing activities	(72,207)	(146,719)	(6,415)
Net decrease in cash and cash equivalents	(920)	(463)	(2,683)
Cash and cash equivalents at beginning of year	5,058	5,521	8,204
Cash and cash equivalents at end of year	\$ 4,138	\$ 5,058	\$ 5,521
Cash paid during the year for			
Interest, net of amounts capitalized	\$ 72,441	\$ 75,452	\$ 74,152
Income taxes	\$ 4,348	\$ 6,995	\$ 9,319

See accompanying notes to consolidated financial statements.

See Note 1 – *Summary of Significant Accounting Policies – Property, Plant and Equipment and Depreciation, Customers' Advances for Construction*, Note 10 – *Long-term Debt and Loans Payable*, and Note 14 – *Employee Stock and Incentive Plan* for a description of non-cash activities.

Attachment

4

REAL ESTATE

55 and up to have a new home

Del Webb plans a second housing development in the Houston area, this time near The Woodlands

By Nancy Sarnoff

Del Webb, a national brand of residential communities for those at or nearing retirement age, is expanding to a spot just outside of The Woodlands, a hub of new development and population growth that has been spreading throughout the region. The project, which will target residents who already live or work in the area, will include the company's signature amenities meant to encourage an active and social lifestyle. It will be the second Del Webb development in this Houston area. The first, Del Webb Sweetgrass, opened in 2011 in Richmond. It is still under development and has room for a total of 1,500 homes.

The new community will be gated and have about a third as many homes, giving it a more intimate feel than some of the company's other projects that span several hundred acres and have golf courses, said Lindy Oliva, division president for the Houston division of Pulte Group, which owns the Del Webb brand.

"This is a place you can retire and downsize in a market where you want to live and still get the Del Webb lifestyle in more of a country club lifestyle," she said.

The Woodlands and areas around it have been on a growth spurt in recent years as major housing communities are opening or being planned.

The growth stems from increased employment from such companies as Anadarko Petroleum Corp., Southwestern Energy and corporate oil and gas giant Exxon Mobil Corp., which is finishing work on a campus in the area for 10,000 workers.

Over the summer, another 55-and-up community opened in the Wood-forest master-planned community north of The Woodlands. That project, called Bonterra, is expected to have 700 homes when it is finished.

David Kalosis, a senior vice president of John Burns Real Estate Consulting, said many of the baby boomers being targeted for these communities still work and want to be near job centers. They also like to stay close to family.

"One of the major preferences to these buyers is to be close to their kids and grandkids, so having a community near The Woodlands would absolutely make sense," he said.

Del Webb The Woodlands — Pulte has a licensing agreement with The Woodlands that allows it to use the name in its development — is expected to have 550 single-family homes on its 200 acres at the southeast corner of FM 1488 and Old Conros Road.

The project will be built on mostly undeveloped land that was owned by one family for more than 80 years. A small creek runs through the middle of the property.

"As we develop this community, the creek will be enhanced as a feature of the community, and many of the trees will be maintained to try to keep the natural beauty," Oliva said.

Construction on model homes should begin in early 2016. Pre-sales will start then as well. Oliva said the company will offer seminars to interested homeowners later this year.

The homes, designed with one story, will range from 1,650 to 2,900 square feet, but some will have options for attic storage space or a second-floor study or bedroom and bathroom.

Prices have not been determined, but comparable properties in Sweet-water are priced from the \$220,000s.

The community will have a lifestyle director on the site to plan and execute programming for the residents.

Each Del Webb community tailors its programming to the people who live there. Amenities often include fitness and wellbeing programs, financial management, seminars, clubs and outings.

Plans are still in the works for the amenities in the new community, but the company said its other projects include fitness centers, gathering rooms, outdoor pools, walking and jogging trails, and tennis.

Homeowner association fees, also not yet determined, will cover amenities and yard maintenance.

At Del Webb Sweet-grass, the fees are \$125 a month. Typically homeowner association fees cannot increase more than 10 percent a year, Oliva said, adding that since Sweetgrass opened, the fees have been raised only once.

Utilities for the new Del Webb are being provided by a private provider, so there will be no municipal utility district taxes in the development, Oliva said.

"Our goal is to provide a reasonably affordable downsize-in-place opportunity that's competitive in the submarket for a variety of these baby boomers and these lifestyles," she said.

nancy.sarnoff@chron.com, twitter.com/nsarnoff

Attachment

5



November 4, 2014

Steve Dunnahoe
Corporate Development
Aqua Texas, Inc.
2211 Louetta Rd
Spring, TX 77388

RE: Request for Utility Service

Dear Steve,

Per our meeting on November 3, 2014, PulteGroup is under contract to purchase +/- 201 acres of land on the south side of FM 1488 at Old Conroe Road, in Montgomery County, TX. PulteGroup intends to develop an age-restricted (55+), gated residential subdivision under our Del Webb brand. The community will be developed in multiple phases and will comprise a total of 576 single family homes and a 12,000 square foot amenity building. Key milestones for the project are as follows:

Begin Site Development - March 2015
Begin Construction of Model Home Park - October 2015
Grand Opening - January 2016
First Home Closing - July 2016

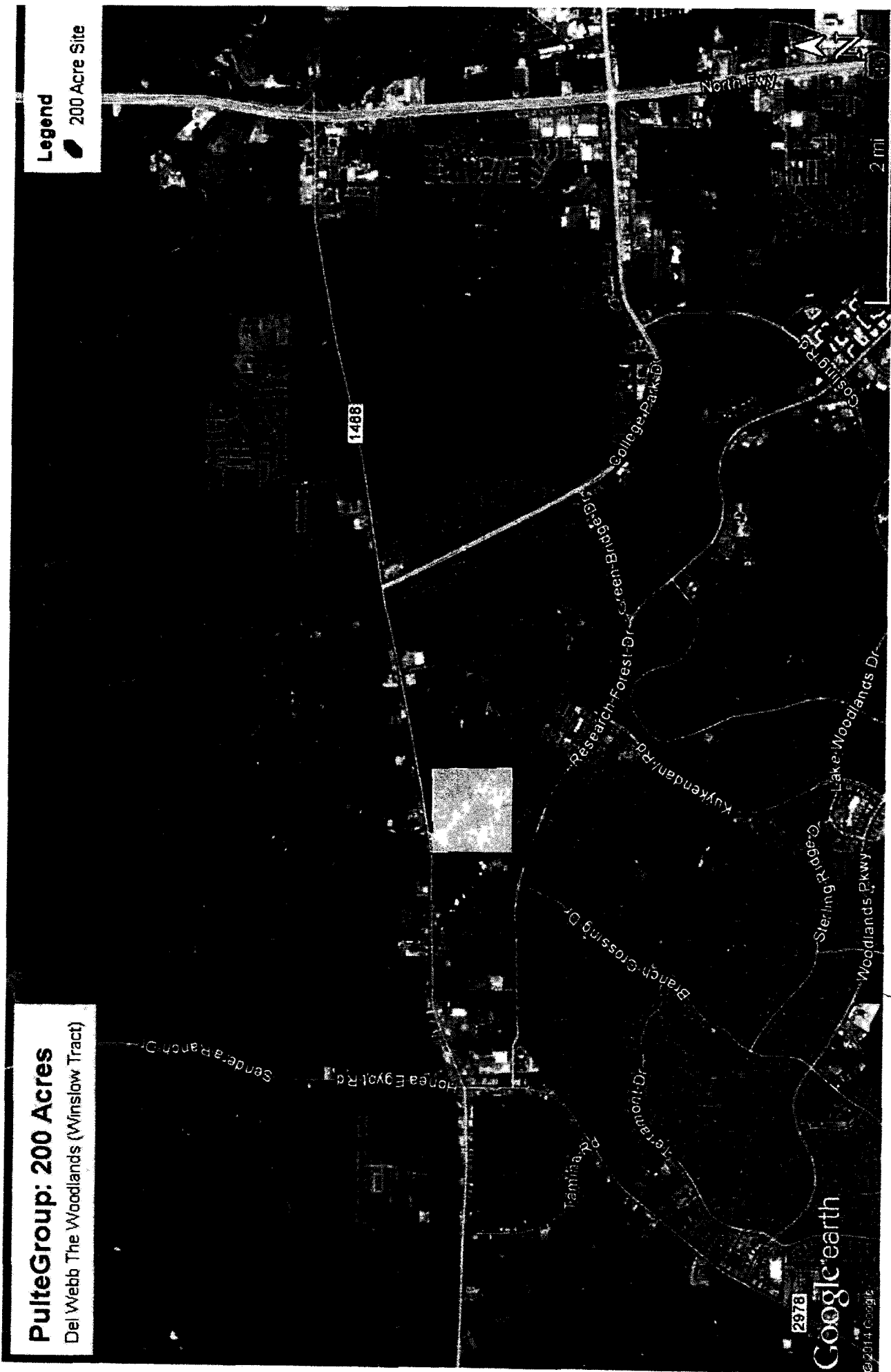
Our immediate concern is obtaining a commitment from Aqua Texas to provide water and waste water service to the community. Unfortunately, we have very little time to finalize an agreement. Our closing is scheduled for Monday, November 10, 2014, at which time we need to have secured that commitment. I look forward to working with you to move this process along quickly. If you have any questions or need additional information please contact me at 281-749-8006. Thanks Steve.

Regards,

Chris Chew
PulteGroup – Houston Division
Vice President of Land Acquisition

PulteGroup: 200 Acres
Del Webb The Woodlands (Winslow Tract)

Legend
200 Acre Site



PulteGroup: 200 Acres
Del Webb The Woodlands (Winslow Tract)

Legend
200 Acre Site

1488

201

Stonebridge Church

Merryvale

Sycamore Park

Google earth

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