



Control Number: 45587



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: **45587**

(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

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

Table of Contents

Purpose of Application	2
1. Applicant Information.....	2
2. Location Information.....	3
3. Map Requirements.....	5
4. New System Information or Utilities Requesting a CCN for the First Time	5
5. Existing System Information	6
6. Financial Information	9
7. Notice Requirements.....	10
OATH.....	12
Notice for Publication.....	13
Notice to Neighboring Systems, Landowners and Cities.....	15
Notice to Customers of IOUs in Proposed Area	17

Historical Balance Sheets	19
Historical Income Statement.....	20
Historical Expenses Statement	21
Projected Balance Sheets	22
Projected Income Statement	23
Projected Expenses Statement.....	24
Projected Sources And Uses Of Cash Statements	25

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

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 Rental house which will be vacated
before service commences.

If YES, are any currently receiving utility service?

☐ Yes

If YES, from WHOM? _____

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 more information regarding jurisdictions where Aqua America, Inc. subsidiaries operate. 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?

X Yes

If YES, within the corporate limits of: Harris County Improvement District No. 17.

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

Please see Utility Agreement, Attachment 4, p. 6, Sections 2.01 and 2.02.

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:

N/A

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") service areas are each comprised of the same approximately 67 acres ("Property") located approximately 13.7 miles southwest of downtown Conroe, TX, and are generally bounded on the north by Hardin Store Rd; on the east by Dobbin Huffsmith Rd; on the south by Carraway Ln; and on the west by N. Creek Dr., in Montgomery County, Texas, within the boundaries of Harris County Improvement District No. 17 ("HCID 17"). The Property is not located within the corporate limits of any municipality. The Property owner/developer, Westchase Madison, Inc. ("Westchase" or "Developer"), HCID 17, and Aqua Texas, Inc. ("Aqua Texas") entered into a Utility Service Agreement that sets forth terms by which retail water and wastewater utility service will be provided to the Property within HCID 17. Attachment 4 ("Utility Agreement"). The Utility Agreement provides that Aqua Texas will be the retail water and wastewater provider within the HCID 17 boundaries and seek Commission approval for amendments to its existing water and sewer CCNs to include the area. While HCID 17 has statutory authority to provide this function, it is delegating that function to Aqua Texas. The Utility Agreement and a companion Dobbin HCID 17 Reimbursement Agreement, ("Reimbursement Agreement") Attachment 5, provide consent by both HCID 17 and the Developer for this CCN amendment application. This application is required for Aqua Texas to fulfill its obligations under the governing agreements for Developer's project and to allow Aqua Texas to supply retail water and wastewater utility service to the Property.

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 Property is the site of a residential development project being undertaken by Developer. Developer has specifically requested that the Property be added to Aqua Texas' water and sewer CCNs. There is a necessity for the provision of utility services to the Property. The Property is located in an area which is urban in nature, is within the growing environs of Houston, and is in close proximity to populous and developed sections of Montgomery County. The Property is not presently supplied with water or sewer facilities and services. Service from other providers in the area is not presently available, nor is it presently economically feasible for such service or facilities to be provided to the Property by other nearby retail public utilities. The health and welfare of the present and future Property users requires a safe and adequate water supply and sewage disposal system for and within the Property. Within the first twelve months, Developer anticipates a need for retail water and sewer utility service to the Property sufficient to supply approximately 74 living unit equivalents ("LUEs") with another 74 LUEs to follow in the second twelve-month period (Year 2) (one LUE should be considered approximately 250 gallons per day). Within the next five years, at full build-out Developer anticipates a need for retail water and sewer utility service to the Property sufficient to supply approximately 296 LUEs. Development within the Property is anticipated to be residential. A public necessity exists for the addition of the Property into Aqua Texas' CCNs in order to provide for the purchase, construction, extension, improvement, maintenance and operation of such water supply and sanitary sewer system, so as to promote and protect the purity and sanitary conditions of the State's waters and the public health and welfare of the community. Without the proposed CCN amendments, the development project contemplated within the Property will not be able to proceed as planned. Inclusion of the Property within Aqua Texas' CCN will benefit the land by facilitating the Property improvements contemplated by Developer. Further, allowing Aqua Texas to provide retail water and sewer utility service to the Property will allow for any property taxes levied by HCID 17 to be reduced since they will not be needed to cover the cost for water and wastewater utility facilities serving the Property. All interested parties hope that the Commission will use best efforts to process this application quickly. Timing is important for project success.

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:

The centralized wastewater system Aqua Texas plans to own and operate within the Property 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. The water supply and sanitary sewer system will both promote and protect the purity and sanitary conditions of the State's waters and the public health and welfare of the community.

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

RESPONSE:

The Utility Agreement executed by HCID 17, the Developer, and Aqua Texas is equivalent to a request for non-standard service made to Aqua Texas. Attachment 4. The Reimbursement Agreement (which does not involve HCID 17) also effectively serves as a request for non-standard service by the Developer to Aqua Texas. Attachment 5.

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 6.
- B. A map showing only the proposed area by: See Attachment 6.
 - 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 7.
- 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 6.
 - 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:
 - i. a list of public drinking water supply system(s) or sewer system(s) within a 2 mile radius of the proposed system; See Attachment 8.
 - 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; See Attachment 9.
 - 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. See Attachment 10.
- B. Were your requests for service denied? ☒ Yes

- i. If yes, please provide documentation of the denial of service and go to c. See Attachment 9.
 - 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:

See next page.

- D. Date of plat approval, if required:

Not yet approved. Final platting of road right-of-ways and individual tracts are currently under way and may be completed at different time for different portions of the Property.

- E. Date Plans & Specifications submitted to the TCEQ for approval:

On July 23, 2015, the TCEQ approved the construction plans for the wastewater treatment system sanitary sewer collection lines needed to serve Enclave at Dobbin. Attachment 11. The design for the wastewater treatment plant that will serve Enclave at Dobbin is still being developed and will conform to the approved TPDES permit included as Attachment 10. On August 25, 2015 and September 23, 2015, the TCEQ approved construction of the public drinking water system water well, water production plant, and water distribution system facilities that will be used to serve Enclave at Dobbin. Attachment 11. Approval for construction of additional facilities for both the water and wastewater system needed for the remainder of Enclave at Dobbin will be sought from TCEQ as development progresses within the Property.

- F. Date construction is scheduled to commence: To be determined, but anticipated before Summer 2016.
- G. Date service is scheduled to commence: To be determined, but anticipated before the end of 2016.

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):

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. However, existing Aqua Texas facilities will not be used for the water or sewer service areas proposed in this CCN amendment application. Since a new public drinking water system and a new wastewater system will be used to serve the property within the proposed service areas, Aqua Texas has included information responsive to Section 4 instead of this section. Additional information responsive to this Section 5 will be provided upon request.

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

C. Please summarize how the proposed utility system will be constructed and describe each projected construction phase, if any:

The Utility Service Agreement between HCID 17, Developer, and Aqua Texas, Inc. provides details for planned water and sewer utility service to the Property. The companion Reimbursement Agreement between Developer and Aqua Texas, Inc. relates to funding for construction of certain project facilities. Attachments 4 and 5. Developer has indicated a need for two initial phases of development. Within the first twelve months, Developer anticipates a need for retail water and wastewater utility services sufficient to accommodate approximately 74 LUEs and 74 more LUEs in the second twelve-month period. At full build-out, Developer anticipates a need for retail water and wastewater utility services sufficient to accommodate approximately 296 LUEs.

In the initial phase, a well, pressure tank and ground storage tank will be constructed. The design will include sufficient reserves to accommodate up to 249 LUEs worth of water demand. Later, there will be an expansion of plant facilities to include additional ground storage, system pumps and another water well as required to accommodate the ultimate 296 LUE demand level for water expected within the Property, Developer has indicated that the same LUE demand levels should be used for sewer as for water in each phase. In the initial phase, Interim Phase I, the wastewater plant will be designed to accommodate up to .0625 million gallons per day (MGD), or 62,500 gallons per day. This will be sufficient to accommodate 250 LUEs worth of demand. In Interim Phase II, the wastewater plant facilities will be designed to accommodate .125 MGD, 125,000 gallons per day. This will be sufficient to accommodate 500 LUEs worth of demand. In the final phase, 0.49 MGD, or 490,000 gallons per day, will be permitted. This will be sufficient to accommodate 960 LUEs, which is more than sufficient to accommodate the planned build-out for the Property.

For both water and sewer utility service, Aqua Texas, Inc. will utilize its experienced water and wastewater operations personnel and management team to ensure that high quality water and wastewater services are provided to the Property. Aqua Texas, Inc. already provides such services using hundreds of other water and wastewater utility systems throughout the State of Texas.

W Q - ;	W Q - ;
W Q - ;	W Q - ;
W Q - ;	W Q - ;

- iii. Date of last TCEQ water and/or sewer system inspection(s): _____
- iv. Attach a copy of the most recent TCEQ water and/or sewer inspection report letter(s). _____
- 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

- 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			Residential		
1" meter or larger			Commercial		
Non-Metered			Industrial		

TCEQ Water System			TCEQ Sewer System		
Other:			Other:		
Total Water			Total Sewer		

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

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

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.

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

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:

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

J. Effect on the Land. Explain the effect on the land to be included in the certificated area.

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:
- 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.
 - 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

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.

- D. 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. requests that its "Water Utility Tariff for Southeast Region" and "Sewer Utility Tarrif for Southeast Region" and the current rates within those tariffs be extended to apply to these additional CCN service areas. Please see Water and Sewer Tariffs included as Attachment 12.

In other CCN amendment applications, Commission Staff has requested additional project specific financial information as part of the technical review. Aqua Texas is including that information here as Attachment 13.

- 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:

Neighboring Systems -

Monarch Utilities, LP (CCNs 12983, 20899)
 Pinehurst Decker Prairie WSC (CCN 11768)
 Hoe WSC (CCN 12756)
 South Central Water Co. (CCN 20964)
 H-M-W SUD (CCN 10342, District 4639000)
 North Harris County Regional Water Authority (District 5984800, PWS 1013298)
 Harris County Flood Control District (District 3630000, PWS 1012572, 6001051)
 San Jacinto River Authority (District 7490000, PWS 1700197)
 Harris-Montgomery Counties MUD 386 (District 3738430, PWS 1013305, 1700796)
 Gulf Coast Waste Disposal Authority (District 3444000, PWS 1012802)
 Port of Houston Authority (District 7133000, PWS 1013230, 1010336)
 Hardin Store Road MUD 1 (deleted/dissolved) – no notice required
 Coastal Water Authority (District 230900, PWS 1013463)
 Harris County MUD 480 (District 3737175, PWS 1013400)
 Montgomery County MUD 46 (District 5858050, PWS 1700348)
 City of Houston

Landowners -

Westchase Madison, Inc.

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.

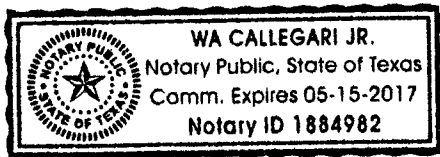
I further represent that the Applicant will provide continuous and adequate service to all customers and qualified applicants for service within its certificated service area.


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 3rd of February 20 16

SEAL




NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

W A Callegari, Jr.
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 5-15-17

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 13.7 miles southwest
[direction] of downtown Conroe, [City or Town] Texas, and is
generally bounded on the north by Hardin Store Rd.; on the east by
Dobbin Huffsmith Rd.; on the south by Carraway Ln.; and on the west by N. Creek Dr.

See enclosed map of the proposed service area.

The total area being requested includes approximately 67 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 Date Notice Mailed 20 12
(Neighboring System, Landowner or City)

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 13.7 miles southwest
[direction] of downtown Conroe, [City or Town] Texas, and is
generally bounded on the north by Hardin Store Rd.; on the east by
Dobbin Huffsmith Rd.; on the south by Carraway Ln.; and on the west by N. Creek Dr.

See enclosed map of the proposed service area.

The total area being requested includes approximately 67 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.

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

ATTACHMENTS:

Attachment 1 – Aqua Texas, Inc.’s Certificate of Account Status

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

Attachment 3 – 2014 Aqua America, Inc. Annual Report

Attachment 4 – Utility Agreement and Assignment

Attachment 5 – Reimbursement Agreement and Assignment

Attachment 6 – Maps

Attachment 7 – Metes and Bounds

Attachment 8 – List of Neighboring Entities and Districts

Attachment 9 – Service Request Letter and Responses

Attachment 10 – TCEQ TPDES Permit

Attachment 11 – TCEQ Approvals

Attachment 12 – Aqua Texas’ SE Region Water and Sewer Tariffs

Attachment 13 – Financial Letter to Fred Bednarski

Attachment 1



Franchise Tax Account Status

As of: 01/07/2016 09:46:19 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 in Texas	ACTIVE
State of Formation	TX
Effective SOS Registration Date	02/13/2004
Texas SOS File Number	0800304878
Registered Agent Name	CORPORATION SERVICE COMPANY D/B/A CSC- LAWYERS INCO
Registered Office Street Address	211 E. 7TH STREET SUITE 620 AUSTIN, TX 78701

Attachment 2

OFFICERS OF AQUA TEXAS, INC.

Christopher H. Franklin	Chief Executive Officer
David P. Smeltzer	Executive Vice President and Chief Financial Officer
Richard S. Fox	Executive Vice President and Chief Operating Officer, Regulated Operations
Daniel J. Schuller	Executive Vice President, Strategy and Corporate Development
William C. Ross	Senior Vice President, Engineering and Environmental Affairs
Christopher P. Luning	Senior Vice President, General Counsel and Secretary
Robert A. Rubin	Senior Vice President, Chief Accounting Officer, Controller and Assistant Treasurer
Robert L. Laughman	President
Richard S. Fox	Regional President
Daniel Rimann	Vice President, Operations
Robert A. Kopas	Regional Controller
Crandal McDougall	Controller
Diana Moy Kelly	Treasurer
Stan Szczgiel	Assistant Treasurer
Elizabeth Taylor	Assistant Secretary
Lisa Piotrowski	Assistant Secretary
Linda Leatherwood	Assistant Secretary

Attachment

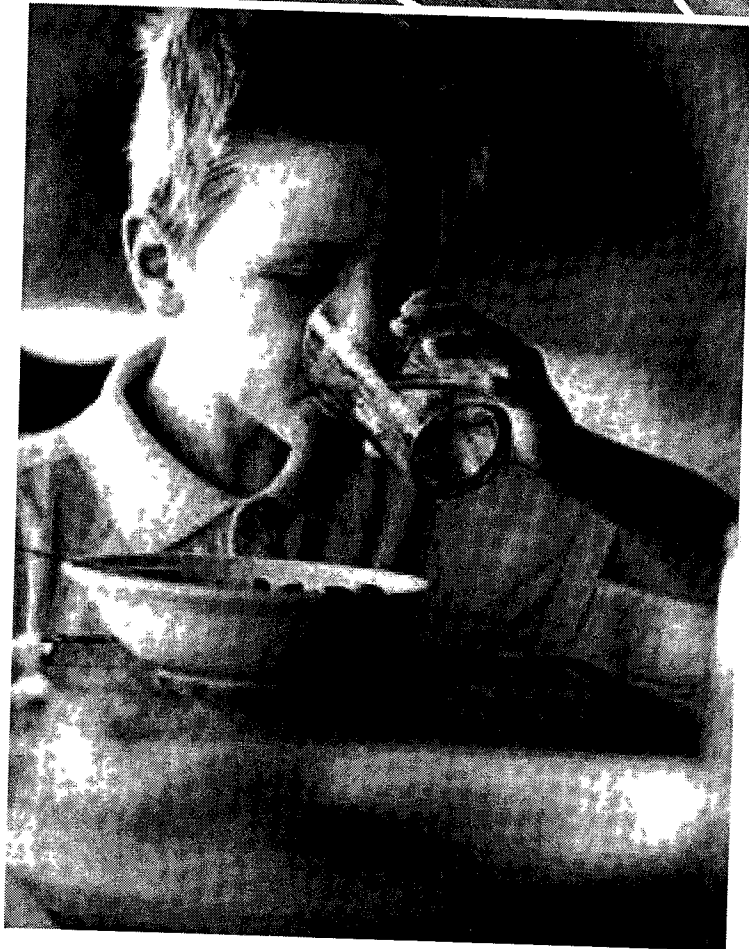
3



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.

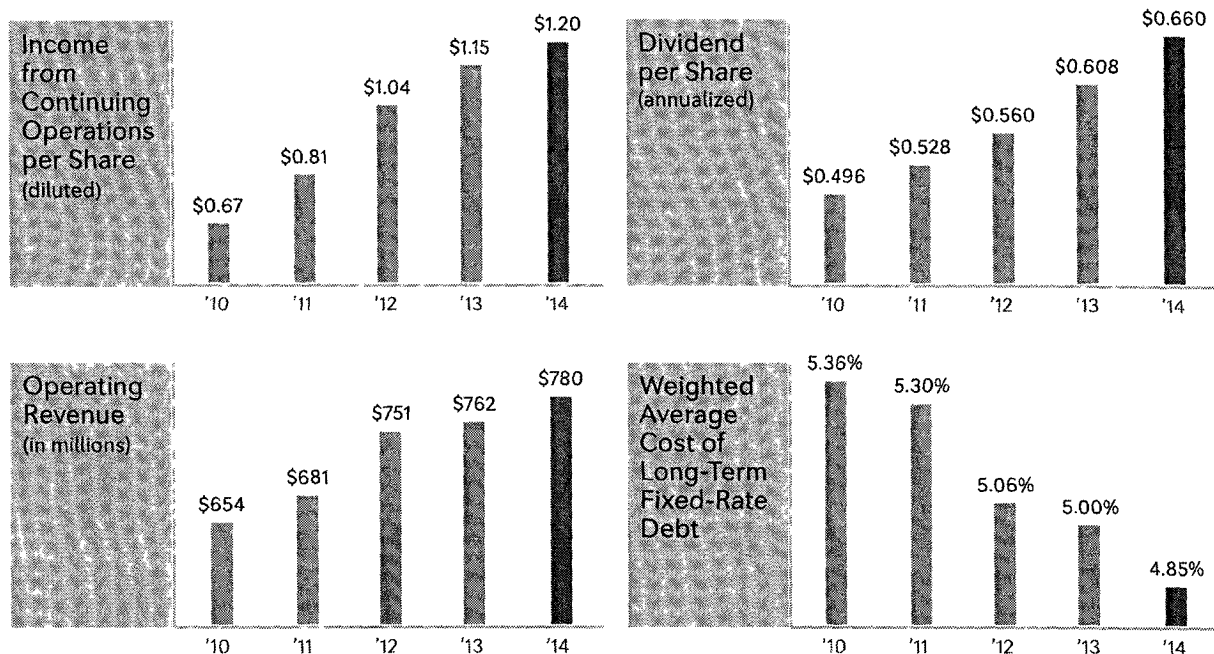
Learn about the many ways Aqua is investing in the future — through infrastructure improvement projects, our solar energy program and our continually expanding compressed natural gas fleet, to name a few. Aqua believes in investing in the future for our customers, the communities we serve, our employees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

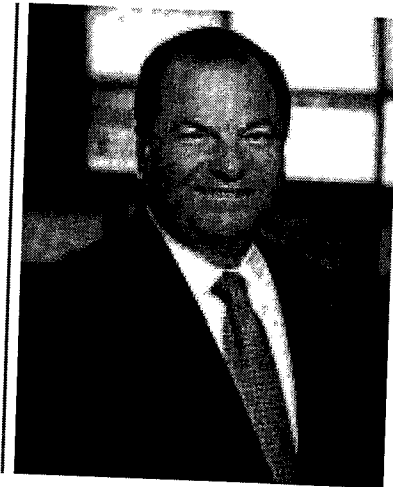


CHAIRMAN'S MESSAGE

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


Nicholas DeBenedictis
Chairman, President and CEO

AQUA

275
MILLION
PEOPLE RECEIVE
DRINKING WATER




1,447
PUBLIC WATER SYSTEMS
OWNED AND OPERATED



187
WASTEWATER
TREATMENT PLANTS
AND COLLECTION
SYSTEMS OWNED
AND OPERATED



250k
PEOPLE
RECEIVE
WASTEWATER
SERVICE





We're Laying
the Groundwork
for a Better
Tomorrow.

AQUA

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	465,544	460,231	433,079
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	239,103	224,104	247,057
Provision for income taxes	25,219	21,233	65,220
Income from continuing operations	213,884	202,871	181,837
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	19,355	18,429	14,726
Net income attributable to common shareholders	\$ 233,239	\$ 221,300	\$ 196,563
Income from continuing operations per share:			
Basic	\$ 1.21	\$ 1.15	\$ 1.04
Diluted	\$ 1.20	\$ 1.15	\$ 1.04
Income from discontinued operations per share:			
Basic	\$ 0.11	\$ 0.10	\$ 0.08
Diluted	\$ 0.11	\$ 0.10	\$ 0.08
Net income per common share:			
Basic	\$ 1.32	\$ 1.26	\$ 1.13
Diluted	\$ 1.31	\$ 1.25	\$ 1.12
Average common shares outstanding during the period:			
Basic	176,864	176,140	174,201
Diluted	177,763	176,814	174,918
Cash dividends declared per common share	\$ 0.634	\$ 0.584	\$ 0.536

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	<u>\$ 233,681</u>	<u>\$ 221,531</u>	<u>\$ 196,422</u>

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	4,401,990	4,138,568
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	152,522	200,854
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	\$ 5,406,752	\$ 5,051,817
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	1,655,343	1,534,835
Noncontrolling interest	40	208
Total equity	1,655,383	1,535,043
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	225,335	279,879
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	1,467,101	1,302,669
Contributions in aid of construction	498,278	465,643
Total liabilities and equity	\$ 5,406,752	\$ 5,051,817

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>	<u>Maturity Date 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

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 17

DOBBIN UTILITY SERVICE AGREEMENT

THIS Utility Service Agreement ("Agreement") is made as of September 30, 2015, by and among HARRIS COUNTY IMPROVEMENT DISTRICT NO. 17, a municipal management district and political subdivision of the State of Texas created operating pursuant to Article XVI, Section 59 and Article III, Section 16 of the Texas Constitution Chapter 375, Texas Local Government Code and Chapters 49 and 54, of the Texas Water Code (the "District"), AQUA TEXAS, INC., a Texas corporation, whose corporate headquarters and principal place of business is at 1106 Clayton Lane, Suite 400W, Austin, Texas 78723 (the "Utility") and Westchase Madison, Inc., a Texas corporation whose office is located at 340 N. Sam Houston Parkway E, Suite 140, Houston, Texas 77060 (the "Developer"). The Developer, District and Utility are sometimes hereinafter referred to singularly as a "Party", and collectively as the "Parties".

BACKGROUND AND RECITALS

1. The District has the authority to provide water, sewer, drainage and other utility and public services to the residents and to areas within and outside of its boundaries.
2. The Utility is the owner and operator of private water and wastewater utilities throughout the state of Texas.
3. The Developer is the owner of a 66.595 acre tract of land located in Montgomery County, Texas, and more particularly described in Exhibit "A" attached hereto (the "Property") and has contractual obligations to provide water and wastewater utility service to the Property.
4. The Property is located inside the boundaries of the District or, will be annexed into the District following the execution of this Agreement.
5. The Property is located within the boundaries of one or more of the Utility's Certificates of Convenience and Necessity ("CCN") issued by the Texas Commission on Environmental Quality ("TCEQ") or the Texas Public Utility Commission ("PUC") to the Utility or will be added to the Utility's CCN following the execution of this Agreement.
6. The Developer and the District both desire to utilize the Utility as the sole and exclusive provider of water and wastewater for the Property; the District is willing to

permit the Utility to serve water and wastewater customers within the District based on the consideration in this Agreement, and the Utility is willing to be the sole and exclusive water and wastewater service provider for the Property on the conditions stated in this Agreement.

7. The Utility represents that it has sufficient capacity or will timely build sufficient capacity in its regional water and wastewater systems to provide continuous and adequate retail utility services to the Property in accordance with the laws of the State of Texas and the rules of the TCEQ.
8. The Utility is willing to incur certain expenses for designing, planning, constructing, and installing water and wastewater Central Plants which become part of the Utility's utility systems
9. The District is willing to reimburse the Utility for certain expenses associated with the provision of water and wastewater services to customers in the District pursuant to the terms and conditions described in this Agreement.
10. Utility is willing to reimburse Developer for certain water and wastewater infrastructure costs as ESFC connections are made, pursuant to the terms and provisions of such reimbursement which are specified in a separate agreement between Utility and Developer to which the District is not a party.

In consideration of the mutual covenants and consideration exchanged and contained in this Agreement, and intending to be legally bound, the Utility, the District, and the Developer agree as follows:

ARTICLE I. DEFINITIONS AND GENERAL AGREEMENTS

1.01 DEFINITIONS.

The Parties agree that the facts stated in the recitals of this Agreement are true and correct. The capitalized terms used in this Agreement shall have the meaning ascribed to them as used in the Recitals or in this section.

- a. "Actual Connections" shall mean the actual number of ESFC's connected to the Facilities.
- b. "Central Plants" shall mean the central water and wastewater treatment plants which provide retail water and/or wastewater utility service to Customers in the Property and other property inside or outside the boundaries of the District.

- c. "CCN" shall mean one or more Certificates of Convenience and Necessity of the Utility issued by a Regulatory Authority permitting utility service by the Utility to any Customer within the District.
- d. "Customer" shall mean a residential or commercial customer of the Utility served by the Facilities.
- e. "Default" shall mean (i) a substantial failure on the part of Utility to provide safe, continuous, and adequate water or wastewater services to the Customers, which failure goes uncured for a significantly extended period of time without good faith efforts on the part of the Utility to cure such default; (ii) a determination or finding that Utility has received Habitual Violations as defined in this Agreement; or (iii) any other event specifically designated in this Agreement which triggers a Default. Any event, occurrence, breach, or violation caused by Force Majeure shall not be a Default unless such event, occurrence, breach, or violation also involves negligence on the part of the Utility.
- f. "Delivery Date" shall mean the date on which the parties agree that any portion of the Facilities shall be constructed and on line as stated on Exhibit "C", attached hereto and the actual date on which each portion of the Facilities is placed in service.
- g. "ESFC" shall mean equivalent single family connections, where one ESFC is equal to 250 gallons per day for water and 200 gallons per day for sewer.
- h. "Facilities" shall mean the Central Plants and any Lines which serve Customers of the Utility within the District.
- i. "Force Majeure" shall mean Shall mean an event or occurrence that renders the Utility or the District unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, including but not limited to the following: The term "force majeure," as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, orders of any kind of the government of the United States or of the state or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, disturbances, explosions, partial or entire failure of utilities, shortages of labor, material, supplies or transportation, or any other similar or different cause not reasonably within the control of the Party claiming such inability.
- j. "Habitual Violations" shall mean the receipt of four (4) separate Notices of Breach from the District to the Utility during any calendar year which affect the health and safety of the customer of the System. Breaches or violations caused by a Force Majeure as defined herein and which do not involve negligence of the Utility shall be

excluded from the definition of Habitual Violations and shall not be considered when determining Habitual Violations.

- k. "Hold and Haul Costs" shall mean the total costs associated with the process of holding wastewater in a temporary tank or containment and periodically hauling it to a permitted wastewater treatment facility for treatment. Items eligible for reimbursement shall include third party haulers, holding facility maintenance and cleaning, administrative oversight and additional insurance.
- l. "Interior Lines" shall mean water and/or wastewater collection lines, laterals, mains, extensions and all related improvements, which transport water and/or wastewater to and/or from the Property or Customers from the regional water production facilities and/or to the regional wastewater treatment plant and/or water production facilities designated by Utility including, but not limited to, mains, laterals, lines, extensions, piping, taps, stub outs, gate valves, valve boxes, manholes, lift stations and any maintenance or restoration work associated with the construction and installation of such items.
- m. "Minimum Sewer Payment" shall mean the minimum base monthly residential sewer bill amount under the Rate Tariff of the Utility.
- n. "Minimum Water Payment" shall mean the minimum base monthly residential water bill amount (including per gallon usage of 7000 gallons per month) under the Rate Tariff of the Utility.
- o. "Minimum Water Connection Costs" shall mean an amount equal to the Minimum Water Payment times seventy (70) less the actual income received from the ESFCs connected to the System, which amount is stipulated to be \$4,625.00 per month or \$55,500 per year.
- p. "Property" shall mean an approximately 162.324 acre tract of land located within the boundaries of the District and more particularly described in Exhibit "A" and any additional land which is annexed into the District and which is served by the Central Plants.
- q. "Purchase Price" shall mean with respect to a Default, an amount equal to the amount determined pursuant to Section 5.04 of this Agreement.
- r. "Rate Tariff" shall mean the order approved by the appropriate Regulatory authority for utility customers of the Utility.
- s. "Regulatory Authority" shall mean any state or federal regulatory agency with jurisdiction over the System or any Party, including the TCEQ and the PUC.

- t. "Regulatory Requirements" shall mean the rules of any Regulatory Authority.
- u. "Service Commencement Date" shall mean the date on which any Central Plant has been constructed and is operational with Customers receiving service.
- v. "System" shall mean the Facilities and any other facilities of the Utility which serve customers of the Utility connected to or serving any customer within or outside the District.
- w. "TCEQ" shall mean Texas Commission on Environmental Quality.
- x. "PUC" shall mean the Texas Public Utility Commission.

1.02. **GENERAL AGREEMENTS.** The general concept of this Agreement and the intent of the parties with respect to this Agreement and all associated documents executed in connection herewith are as follows:

- a. The Property shall be included in the Utility's CCN service area and the District will not provide water or wastewater service to the Property or Customers in the District.
- b. All connections in the Property to the Utility's water and/or wastewater systems shall become permanent retail and/or commercial customers of the Utility, the Utility shall provide safe continuous and adequate water and wastewater service to all customers in accordance with all Regulatory Requirements and the customers shall pay the Utility in accordance with the Rate Tariff in effect from time to time for the water and/or wastewater services provided by the Utility.
- c. The Utility shall be responsible for the design and construction of the Central Plants sufficient to serve all existing and planned Customers within the Property as connections are added. Developer shall be responsible for the design and construction of the Interior Lines, and Utility shall reimburse Developer pursuant to the terms and provisions in a separate agreement between Utility and Developer to which the District is not a party. Developer shall contribute a mutually agreeable water plant site to Utility which the Utility will utilize to provide water services to the Property. Developer shall design, construct, and install a lift station and sewer force main to transport wastewater from the Property to the Central Plants; Utility shall provide sewer services to the Property from its Boggs Road Sewage Treatment Plant.
- d. The Utility shall provide timely service to the Property by installation of the Facilities sufficient to serve Customers in the District at the time service is needed by the Developer and the District. It is also the intent of the Parties that the Customers