



Control Number: 46181



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: 46181

(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

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2016 JUL 18 PM 12:24
PUBLIC UTILITY COMMISSION
FILING CLERK

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. dba Aqua Texas

Certificate number: 13203 and 21065

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

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

Utility Phone Number and Fax: (512) 990-4400 ; (512) 989-9891 (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: Terrill & Waldrop, 810 West 10th Street, Austin, Texas 78701

Email: gkirshbaum@terrillwaldrop.com

Phone and Fax: (512) 474-9100,
(512) 474-9888 (fax)

List all counties in which service is proposed:

Chambers County, Texas

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

☒ Investor Owned Utility

☐ Partnership

☒ For-profit Corporation

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. Please see 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 only stockholder, and it is 100%.
- iv. A copy of the company's organizational chart, if available. Not available.
- v. A list of all directors and disclose the title of each individual. See Attachment 2.
- vi. A list of all affiliated organizations (if any) and explain the affiliate's business relationship with the applicant.
 - i. Aqua America, Inc. – Aqua Texas, Inc. is a wholly-owned subsidiary of Aqua America, Inc.
 - ii. 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 operate together, along with Aqua Development, Inc., as the Texas utility known as Aqua Texas.
 - iii. Aqua Development, Inc. – Aqua Development, Inc. is a wholly-owned subsidiary of Aqua America, Inc. Aqua Texas, Inc. and Aqua Development, Inc. are under common control and operate together, along with Aqua Utilities, Inc., as the Texas utility known as Aqua Texas.
 - iv. Other Aqua America, Inc. subsidiaries under common control with Aqua Texas, Inc. operate within jurisdictions outside of Texas, are certificated to areas outside the Aqua Texas Southeast Region (where the proposed CCN areas are located), or are not regulated utilities. Please see Aqua America, Inc.'s 2015 Annual Report excerpts for complete information. Attachment 3.

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. Not applicable.
- 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
If YES, are any currently receiving utility service? ☐ Yes ☐ No
If YES, from WHOM? Not applicable.

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: Please see following 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 boundaries of: Gulf Coast Waste Disposal Authority

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

The Property is within the jurisdictional boundaries of Gulf Coast Waste Disposal Authority ("GCWDA"). However, Developer filed a petition for expedited release from the GCWDA sewer CCN for the Property and received Commission approval for same with the consent of GCWDA. Attachment 8. GCWDA has also consented to Aqua Texas providing retail sewer utility service to the Property. Attachment 9. GCWDA does not have facilities in the immediate vicinity of the Property with which to provide sewer service to the Property. GCWDA does not provide water utility service.

The proposed water and sewer CCN amendment areas are also located within the broad jurisdictional boundaries of the following district entities for which no consent should be required because, based on information and belief, these entities do not actively provide retail public water/sewer utility service functions at all or do not provide such functions within the proposed areas:

Coastal Water Authority, Chambers-Liberty Counties Navigation District, Trinity River Authority of Texas

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

☐ Yes ☒ No

If NO, are you seeking dual or single certification of the area? Explain why decertification of the area is in the public interest: Not applicable.

- 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

The proposed amended certificate of convenience and necessity ("CCN") water and sewer service areas are each comprised of the same approximately 93.49 acres ("Property") located in Chambers County, Texas, approximately 4 miles southeast of downtown Mont Belvieu, Texas. The Property is generally bounded on the north by approximately .75 miles south of IH10; on the east by approximately 1 mile west of FM 3246; on the south by FM 565; and on the west by Cotton Bayou. The Property, together with a contiguous 2.095 acres, is comprised of two tracts totaling 95.585 acres owned by LGI Homes-Texas, LLC ("LGI" or "Developer"). Adjacent 1.338 acres is already within Aqua Texas water and sewer CCNs and another .757 acres is located within the City of Cove, Texas and omitted from the proposed CCN service area in this Application. The Property is not within a water or sewer CCN. Aqua Texas, Inc. ("Aqua" or "Applicant") has or will have transferred from its affiliate (per Commission approval in PUC Docket No. 42958) existing water and sewer system facilities in close proximity and within ¼ mile of the Property. The Property is undeveloped, but its location is just outside Baytown, Texas approximately 35 miles east of Houston, an area that has recently seen a marked increase in new development and population growth within the last few years. On October 7, 2015, Developer requested that Aqua be the retail water and sewer utility provider for LGI's development within the Property via an agreement that sets forth terms by which retail water and wastewater utility service will be provided to the Property by Aqua and by which Aqua will reimburse LGI for certain construction costs associated with utility infrastructure for the Property. Attachment 4. ("LGI Project Reimbursement Agreement"). On July 6, 2016, an LGI representative reiterated its request for service in a letter to Aqua ("RFS Letter"). Attachment 5. As the RFS Letter indicates, the development will be called "Joseph's Cove" and the development schedule is anticipated to occur in phases stretching into 2018.

- 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

The economic needs driving the need for service within the Property are discussed or reflected within the following: LGI Project Reimbursement Agreement (Attachment 4); the RFS Letter (Attachment 5); the Preliminary Engineering Report ("PER") for the planned water system extension (Attachment 6); and the Preliminary Engineering Assessment Report ("PEA") for the planned sewer system extension (Attachment 7). All these documents demonstrate Developer's plan to use Aqua as the retail water and sewer utility service provider for the Property. Granting the CCN amendments Aqua requests in this application will enable Aqua to fulfill its commitment to serve the Property and facilitate Developer's plans for same.

Developer has planned phases for the build-out of the Property. See RFS Letter, PER, and PEA (Attachments 5, 6, and 7). By 4th Quarter 2016, Developer anticipates an initial need for retail water and sewer utility service sufficient to supply approximately 65 connections in Phase I, followed by approximately 105 additional connections in Phase II, and approximately 358 residential connections at full build-out in Phase III. 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's CCNs 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

Connecting the Property to Aqua's nearby Gray Utility Service water system and Veranda Wastewater Treatment Facility System wastewater system will reduce the need for individual wells and 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 individual wells or septic systems to meet water or wastewater needs. Chambers County, where the systems will be located, is actively attempting to eliminate people from septic systems and to eliminate individual wells.

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

Please see LGI Reimbursement Agreement (Attachment 4) and request for service letter dated July 6, 2016 (Attachment 5).

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

Please see information on anticipated growth in the requested area discussed or reflected within the following: LGI Project Reimbursement Agreement (Attachment 4); the RFS Letter (Attachment 5); the Preliminary Engineering Report ("PER") for the planned water system extension (Attachment 6); and the Preliminary Engineering Assessment Report ("PEA") for the planned sewer system extension (Attachment 7).

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.
- B. A map showing only the proposed area by: **See Attachment 10.**
 - 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 10.**
- 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 and 7.**
 - 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: **Not applicable.**
 - 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: _____
 Approved by: _____

E. Date Plans & Specifications submitted to the TCEQ for approval: _____
 Attach copy of approval letter, if available. If the letter is not available by the time your CCN application is submitted, please supplement your application with a copy of the letter once you receive it from the TCEQ.

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):

0	3	6	0	0	0	5												

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

W	Q	0	0	1	1	4	-	9	0	0	1
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W	Q						-				
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January 15, to March 3, 2104 - water
September 7, 2014 - sewer

- 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). See Attachment 11.
- 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.

TCEQ Region 11 has requested the following items from Aqua for the public drinking water system identified above:

1. Record Drawing for the water plant. The seller was unable to provide these records to Aqua during the acquisition process. Thus, Aqua is preparing the records for submission to TCEQ. They are expected to be provided within the month.
2. Well No. 1 Log. Aqua is attempting to locate the log for Well No. 1. If it is not located, Aqua plans to have a camera scan of the well performed and file the results with TCEQ.
3. Operations Manual. This document is being compiled and is expected to be delivered to TCEQ within the month.
4. Flushing Records. This document will be delivered to TCEQ within the month.

For wastewater, not applicable.

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

Name	Classes	License Number
See Attachment 12.		

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?

- C. ☐ Yes
☒ No

- 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	1,055	358	Residential	943	358
1" meter or larger	10		Commercial	14	
Non-Metered			Industrial		

TCEQ Water System			TCEQ Sewer System		
Other:			Other:		
Total Water	1,065	358	Total Sewer	957	358

E. If this application is for a water CCN only, please explain how sewer 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.

i. Aqua is an existing utility providing retail water and sewer utility service in multiple Texas counties, including Chambers County, under CCN Nos. 13203 and 21065. Aqua and its affiliate, Aqua Utilities, Inc. have facilities in Chambers County located very close to the Property and within two miles. The Commission has approved the transfer of the water system and service area that will be used for this project from Aqua Utilities, Inc. to its affiliate Aqua Texas, Inc. in Docket No. 42958. Aqua will use its existing nearby Aqua facilities as the starting point to extend water and sewer service to the Property as proposed in this CCN amendment application. Please see the PER and PEA documents included as Attachments 6 and 7 for more detail on those extensions. Granting the CCN amendment as proposed will promote regionalized water and sewer utility service in this high growth area within Chambers County. Aqua has the financial, managerial, and technical capability to extend service to the Developer's planned development property in compliance with regulatory requirements. In the short term, Aqua plans to charge Southeast Region – Gray rates applicable to its Gray Utility Service/Veranda 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's water and sewer utility service. Aqua 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 to meet TCEQ and PUC requirements for continuous and adequate service. For more information related to financial ability, please see 2015 Annual Report Excerpt, Attachment 3. Please also see the Joseph's Cove development project pro forma included as Attachment 13.

ii. Retail public utilities of the same kind serving nearby areas will not be able to serve the Property once certificated to Aqua as proposed. However, the Developer has specifically requested that Aqua be the utility provider for the Property. GCWDA has consented to same. Attachment 9.

iii. Granting the proposed CCN amendment will facilitate the landowner/Developer's planned Joseph's Cove development project for the Property by making retail water and sewer utility service available from a preferred provider without the need for special property tax assessments. Please see the PER and PEA documents included as Attachments 6 and 7 for more discussion on beneficial landowner effects..

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
	0.00%

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 is a subsidiary of Aqua America, Inc., one of the largest publicly traded water utilities in America. Aqua 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 Gray Utility Service/Veranda 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. 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 the PER and PEA, Attachments 6 and 7, the facilities maps included therein, and 2-mile maps included in Attachment 10 showing Aqua's existing nearby CCN areas. These documents collectively show Aqua's water/sewer extension plans for the Property.

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 undeveloped. Please see PER and PEA for more information. Attachments 6 and 7.

6.

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

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. 2015 Annual Report Excerpt. Audits for Aqua are conducted annually. That information is reflected collectively with other Aqua America, Inc. subsidiaries within the Aqua America, Inc. annual reports.

Additionally, please also see the five-year Joseph's Cove development project pro forma included as Attachment 13.

Aqua's Gray Utility Service/Veranda water and sewer systems are included within its "Water Utility Tariff for Southeast Region – Gray" and "Sewer Utility Tariff for Southeast Region – Gray," 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, but Joseph's Cove will need to be added to the subdivision/area served list for these systems. Please see Water and Sewer Tariffs Included as Attachment 14.

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.

- 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.

Proposed Amendment to Aqua Texas, Inc. CCN Nos. 13203 and 21065

Counties within: Chambers

ETJs within: City of Cove

Districts within: Gulf Coast Waste Disposal Authority (District ID 3444000, PWS 1012802)
Coastal Water Authority (District ID 2309000, PWS 1013463)
Trinity River Authority of TX (District ID 8000000, multiple PWS')
Chambers-Liberty Counties Navigation District (District ID 2280000, No PWS)

Entities within 2 miles / Notice list:

City of Cove (city limits)
City of Mont Belvieu (city limits)
Baytown Area Water Authority (CCN 10872, District ID 1211100, PWS 1011742)
Olsen Estates POA (CCN 13160)
CC Water Works, Inc. (CCN 13038)
Gulf Coast Waste Disposal Authority (CCN 20465, District ID 3444000, PWS 1012802)
Coastal Water Authority (District ID 2309000, PWS 1013463)
Trinity River Authority of TX (District ID 8000000, multiple PWS')
Chambers County Improvement District 3 (District ID 2265450, No PWS)
Chambers-Liberty Counties Navigation District (District ID 2280000, No PWS)
Chambers County

Landowners:

LGI Homes - Texas, LLC

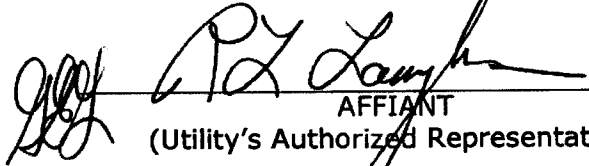
OATH

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.

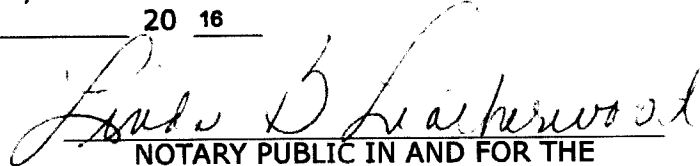
I further represent that the Applicant will provide continuous and adequate service to all customers and qualified applicants for service within its certificated service area.

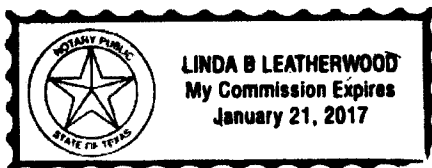

AFFIANT
(Utility's Authorized Representative)

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 13th of July 20 16

SEAL


NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS



Linda Leatherwood
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES January 21, 2017

Notice for Publication

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

Chambers COUNTY(IES), TEXAS

Name of Applicant Aqua Texas, Inc. has filed an application for a
CCN to 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 Chambers County
(ies).

The proposed utility service area is located approximately 4 miles southeast
[direction] of downtown Mont Belvieu, [City or Town] Texas, and is
generally bounded on the north by 0.76 mile south of IH 10; on the east by
1 mile west of FM 3246; on the south by FM 565; and on the west by Cotton Bayou.

The total area being requested includes approximately 93.49 acres and 0
current customers.

A copy of the proposed service area map is available at (Utility Address and Phone
Number): 2211 Louetta Spring Rd., 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

Chambers

COUNTY(IES), TEXAS

To:

Date Notice Mailed _____ 20 _____

City of Cove, City of Mont Belvieu, Baytown Area Water Authority, Olsen Estates POA, CC Water Works, Inc., Gulf Coast Waste Disposal Authority, Coastal Water Authority, Trinity River Authority of TX, Chambers County Improvement District 3, Chambers-Liberty Counties Navigation District, Chambers County, LGI Homes - Texas, LLC

Name of Applicant Aqua Texas, Inc. d/b/a Aqua Texas 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 Chambers County(ies).

The proposed utility service area is located approximately 4 miles southeast [direction] of downtown Mont Belvieu, [City or Town] Texas, and is generally bounded on the north by 0.75 mile south of IH 10; on the east by 1 miles west of FM 3246; on the south by FM 565; and on the west by Cotton Bayou

See enclosed map of the proposed service area.

The total area being requested includes approximately 93.49 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

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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.

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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 – 2015 Aqua America, Inc. Annual Report

Attachment 4 – LGI Project Reimbursement Agreement

Attachment 5 – LGI’s Request for Service Letter

Attachment 6 – Water – Preliminary Engineering Report

Attachment 7 – Sewer – Preliminary Engineering Assessment

Attachment 8 – Final Order in Project No. 45337

Attachment 9 – Gulf Coast Waste Disposal Authority Consent Letter

Attachment 10 – Maps and Property Description

Attachment 11 – TCEQ Inspection Reports for Water and Sewer Systems

Attachment 12 – Operators

Attachment 13 – Pro Forma Project Information

Attachment 14 – Aqua Texas’ SE Region Water and Sewer Tariffs

ATTACHMENT

1



Franchise Tax Account Status

As of: 07/13/2016 12:07:14 PM

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

AQUA TEXAS, INC.	
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Texas Taxpayer Number	32014405503
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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
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Registered Agent Name	CORPORATION SERVICE COMPANY D/B/A CSC-LAWYERS INCO
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Registered Office Street Address	211 E. 7TH STREET SUITE 620 AUSTIN, TX 78701
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ATTACHMENT

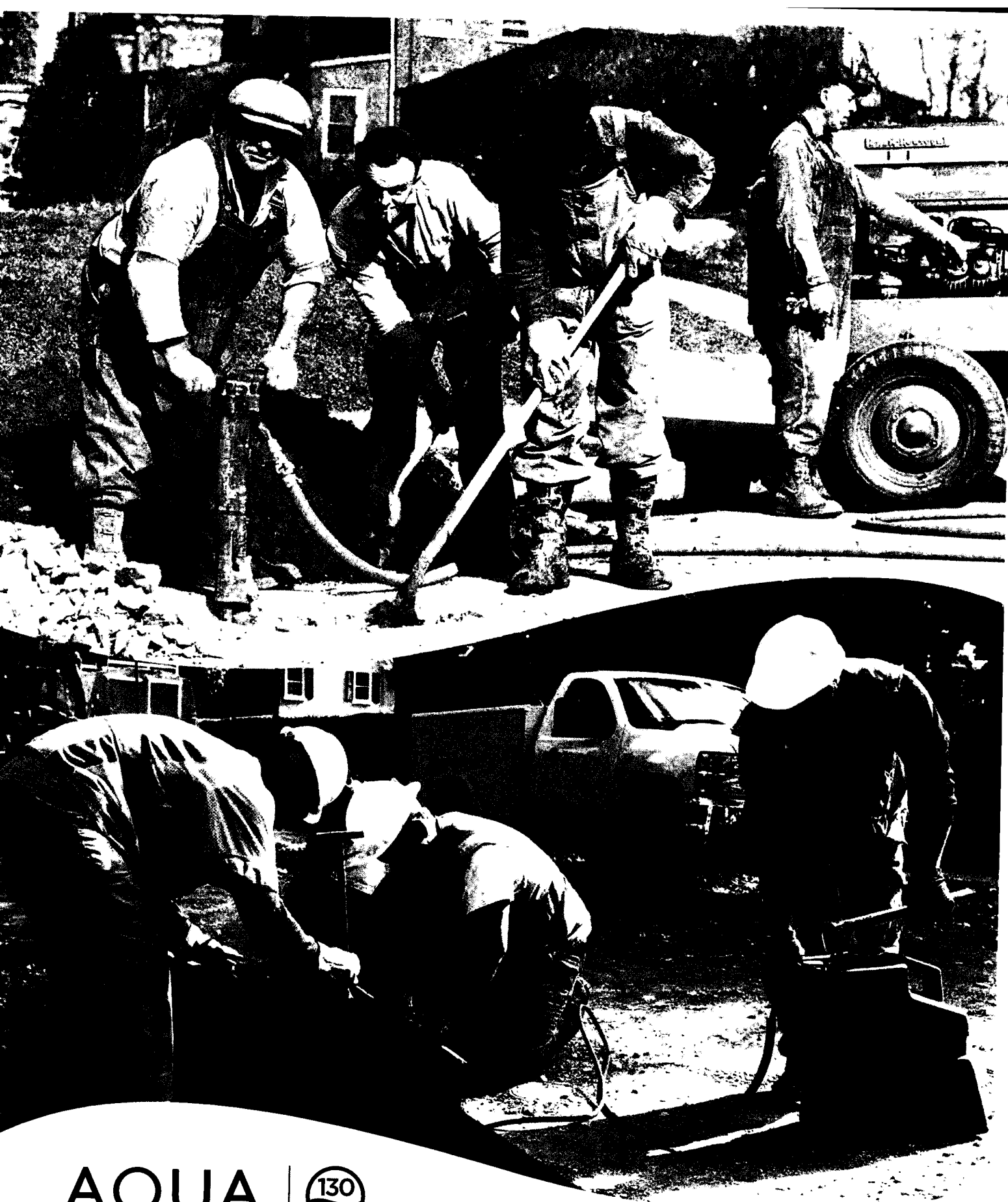
2

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



AQUASM



Aqua America, Inc. 2015 Annual Report

Financial High

in thousands of dollars, except per-share amounts

Operating revenues

Net income

Income from continuing operations

Income from continuing operations per share

Exclude:

Joint venture impairment charge, net of taxes

Adjusted income from continuing operations*
(Non-GAAP financial measure)

Adjusted income from continuing operations per share*
(Non-GAAP financial measure)

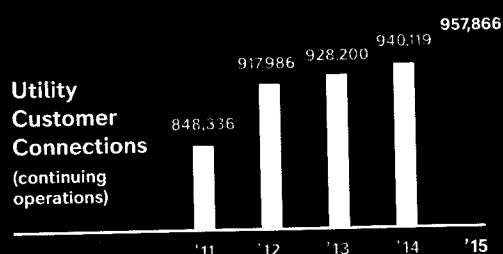
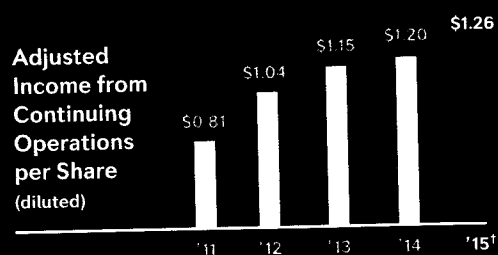
Annualized dividend rate

per common share (12/31)

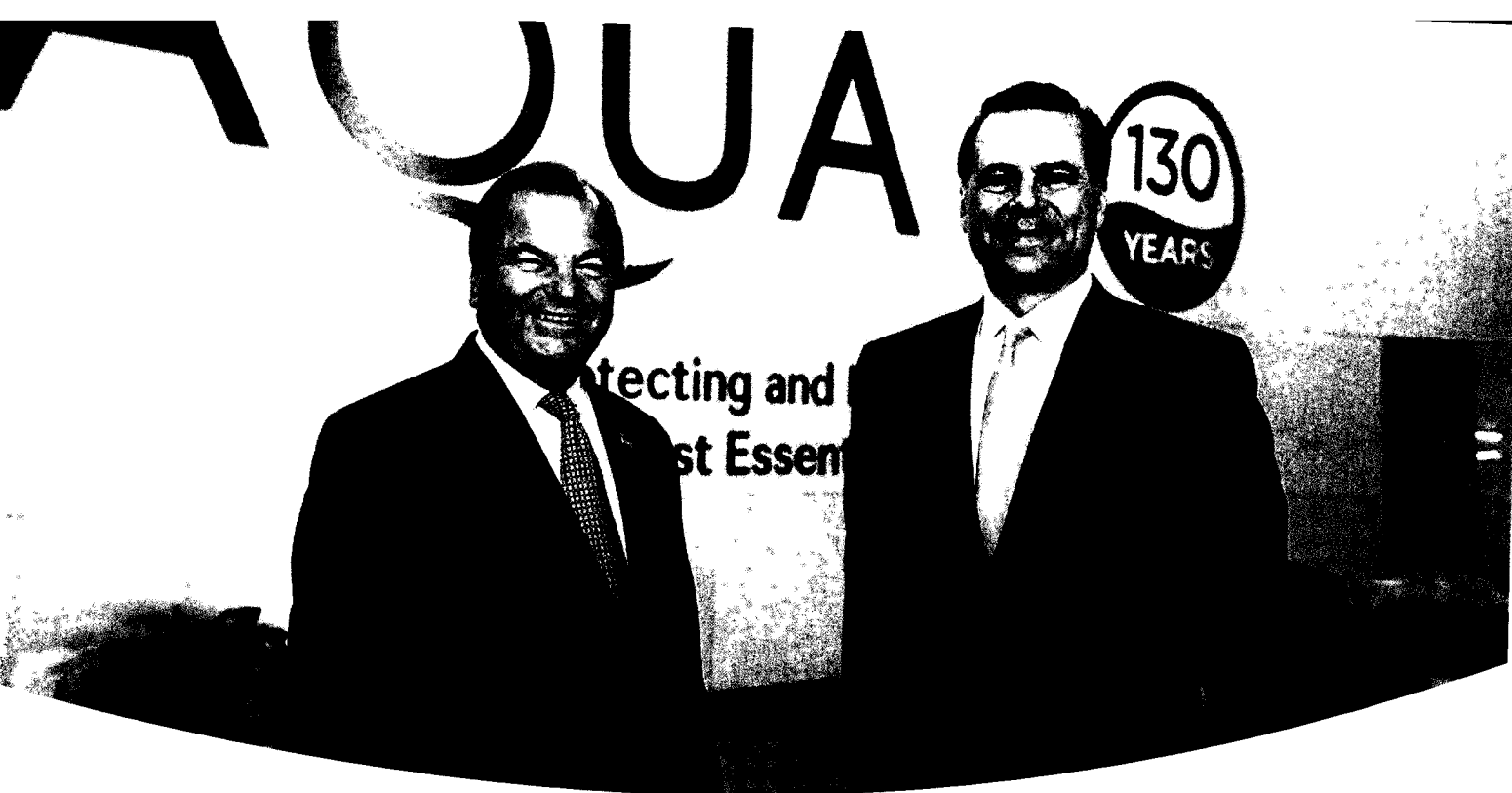
Total assets

Number of utility customers served

*The GAAP financial measures are income from continuing operations and income reconciliation of the GAAP to non-GAAP financial measures



†2015: Income from continuing operations adjusted for joint venture operations per share was \$1.14]



A Letter From the Chairman and the President & CEO.

Aqua America's Board of Directors appointed Christopher Franklin chief executive officer on June 3. Chris, a 23-year veteran and Aqua's former chief operating officer of regulated operations, assumed his new role on July 1. Nicholas DeBenedictis served as a valued resource through the transition and will continue to serve as chairman of the board.

The year 2015 was an important one at Aqua America. We demonstrated that a smooth transition from a long-term CEO to a new CEO and management team could be done effectively and efficiently. Both of us worked together for more than two decades building this successful company and providing long-term value for shareholders. It is only fitting that the legacy continues through the next generation of management at Aqua America.

Following the CEO transition in July, we proceeded to build on an already strong management team by adding several new executives to the organization. With our primary focus on operating the company at standards of excellence, and growing the company in a sustainable and accretive way, we diligently hired executives to lead our operations and corporate growth.

It is in this strong position that we entered 2016, a year that marks the company's 130th anniversary, a milestone reached by very few American companies. We take great pride in this history!

Our mission is clear at Aqua America: protecting and providing Earth's most essential resource. Our employees believe in our mission, and come to work each day to provide clean, safe drinking water to our customers. Through our wastewater operations, our employees are responsible for ensuring we treat the water before we place it back into our rivers, streams and fields, renewed and meeting all environmental standards.

Although our mission is simple, it is an extremely important one. After all, we are the only utility whose product is ingested by humans.

Because our charge is such a crucial one to the health and well-being of entire communities, we place the very highest value on honesty, integrity and transparency in our work at Aqua America. We want our employees, customers, shareholders and other stakeholders to know that we hold ourselves accountable to a high standard on which they have come to depend. Across the company, our management team understands that we earn our customers' trust every day through our actions.

Each year we are amazed by what our employees accomplish and how they react to the various situations they encounter. This year, Aqua Pennsylvania Inspector Bryan Gormley reacted quickly when he witnessed an accident in which a young man was severely injured. With little regard for his own safety, Bryan jumped into the trench to save the man's life, injuring himself in the process. Bryan saved this young man's life that day and demonstrated to all of us the selflessness of our team at Aqua America.

We serve nearly 1 million customer connections across our eight-state footprint with dedicated service and great pride. We will continue our commitment to the communities we serve by spending \$1.1 billion over the next three years on infrastructure projects that improve our service and quality. With all the capabilities Aqua America brings to our existing customers, we have a great opportunity to extend the same excellent service to even more customers in the United States. For this reason, it is our objective to continue growing the company. In fact, this year, we grew the company by 1.9 percent, which represents the highest customer growth rate we've seen since 2008.

Since the transition last July, we have intensified our strategic planning process by developing a framework to evaluate larger potential acquisitions. With the closing of four municipal acquisitions in 2015, we believe our strategy in the municipal market will continue to accelerate customer growth for the company and its shareholders.

Through our work with legislators and regulators, we have developed mechanisms to more rapidly invest in the improvement of our pipes and plants. These mechanisms have also allowed us to file fewer rate cases, which is positive for customers, regulators, officials and Aqua America alike.

We understand the importance of our quarterly cash dividends to our shareholders. In August, 2015, the Board of Directors increased the quarterly cash dividend for the 25th time in the past 24 years. The dividend was raised 7.9 percent to \$0.178 per share effective September 1, 2015. To date, Aqua has paid consecutive quarterly dividends to its shareholders for 71 years.

On behalf of the board and the entire senior leadership team, we would like to thank all of our employees for their passion and dedication to our mission and vision, and for keeping customers at the center of all we do. We also extend our thanks to the shareholders of our great company, for enabling Aqua America to protect and provide Earth's most essential resource, every day.

Sincerely,

Christopher Franklin
President and CEO

Nicholas DeBenedictis
Chairman of the Board



Although our mission is
simple, it is an extremely
important one

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, 2015, the Company's internal control over financial reporting was effective.

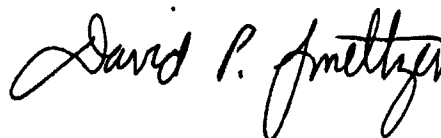
The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.



Christopher Franklin

President and Chief Executive Officer

February 26, 2016



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, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 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, 2015 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 and financial statement schedule, 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, on the financial statement schedule, 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 26, 2016

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

(In thousands, except per share amounts)

Years ended December 31, 2015, 2014, and 2013

	2015	2014	2013
Operating revenues	\$ 814,204	\$ 779,903	\$ 761,893
Operating costs and expenses:			
Operations and maintenance	309,310	288,556	283,561
Depreciation	125,290	123,054	118,414
Amortization	3,447	3,481	5,571
Taxes other than income taxes	55,057	50,453	52,685
Total operating expenses	493,104	465,544	460,231
Operating income	321,100	314,359	301,662
Other expense (income):			
Interest expense, net	76,536	76,397	77,316
Allowance for funds used during construction	(6,219)	(5,134)	(2,275)
(Gain) loss on sale of other assets	(468)	4	(148)
Gain on extinguishment of debt	(678)	-	-
Equity loss in joint venture	35,177	3,989	2,665
Income from continuing operations before income taxes	216,752	239,103	224,104
Provision for income taxes	14,962	25,219	21,233
Income from continuing operations	201,790	213,884	202,871
Discontinued operations:			
Income from discontinued operations before income taxes	-	32,155	28,311
Provision for income taxes	-	12,800	9,882
Income from discontinued operations	-	19,355	18,429
Net income attributable to common shareholders	\$ 201,790	\$ 233,239	\$ 221,300
Income from continuing operations per share:			
Basic	\$ 1.14	\$ 1.21	\$ 1.15
Diluted	\$ 1.14	\$ 1.20	\$ 1.15
Income from discontinued operations per share:			
Basic	\$ -	\$ 0.11	\$ 0.10
Diluted	\$ -	\$ 0.11	\$ 0.10
Net income per common share:			
Basic	\$ 1.14	\$ 1.32	\$ 1.26
Diluted	\$ 1.14	\$ 1.31	\$ 1.25
Average common shares outstanding during the period:			
Basic	176,788	176,864	176,140
Diluted	177,517	177,763	176,814
Cash dividends declared per common share	\$ 0.686	\$ 0.634	\$ 0.584

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, 2015, 2014, and 2013

	2015	2014	2013
Net income attributable to common shareholders	\$ 201,790	\$ 233,239	\$ 221,300
Other comprehensive income, net of tax:			
Unrealized holding (loss) gain on investments, net of tax (benefit) expense of \$(53), \$104, and \$76 for the years ended December 31, 2015, 2014, and 2013, respectively	(101)	193	141
Reclassification adjustment for loss (gain) reported in net income, net of tax (benefit) expense of \$(134) and \$(49) for the twelve months ended December 31, 2014 and 2013, respectively (1)	-	249	90
Comprehensive income	<u>\$ 201,689</u>	<u>\$ 233,681</u>	<u>\$ 221,531</u>

See accompanying notes to consolidated financial statements.

(1) Amount of pre-tax loss (gain) of \$383 and \$139 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 and 2013, respectively.

AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands of dollars, except per share amounts)
December 31, 2015 and 2014

	Assets	2015	2014
Property, plant and equipment, at cost		\$ 6,088,011	\$ 5,707,017
Less: accumulated depreciation		1,399,086	1,305,027
Net property, plant and equipment		4,688,925	4,401,990
Current assets:			
Cash and cash equivalents		3,229	4,138
Accounts receivable and unbilled revenues, net		99,146	96,999
Deferred income taxes		-	26,849
Inventory, materials and supplies		12,414	12,788
Prepayments and other current assets		11,802	11,748
Assets held for sale		1,779	-
Total current assets		128,370	152,522
Regulatory assets		830,118	725,591
Deferred charges and other assets, net		52,043	52,084
Investment in joint venture		7,716	43,334
Funds restricted for construction activity		-	47
Goodwill		33,866	31,184
Total assets		\$ 5,741,038	\$ 5,406,752
	Liabilities and Equity		
Aqua America stockholders' equity:			
Common stock at \$.50 par value, authorized 300,000,000 shares, issued 179,363,660 and 178,591,254 in 2015 and 2014		\$ 89,682	\$ 89,296
Capital in excess of par value		773,585	758,145
Retained earnings		930,061	849,952
Treasury stock, at cost, 2,819,569 and 1,837,984 shares in 2015 and 2014		(68,085)	(42,838)
Accumulated other comprehensive income		687	788
Total Aqua America stockholders' equity		1,725,930	1,655,343
Noncontrolling interest		-	40
Total equity		1,725,930	1,655,383
Long-term debt, excluding current portion		1,743,612	1,560,655
Commitments and contingencies (See Note 9)		-	-
Current liabilities:			
Current portion of long-term debt		35,593	58,615
Loans payable		16,721	18,398
Accounts payable		56,452	63,035
Accrued interest		12,651	12,437
Accrued taxes		21,887	31,462
Other accrued liabilities		49,895	41,388
Total current liabilities		193,199	225,335
Deferred credits and other liabilities:			
Deferred income taxes and investment tax credits		1,118,923	1,000,791
Customers' advances for construction		86,934	78,301
Regulatory liabilities		259,507	278,317
Other		100,498	109,692
Total deferred credits and other liabilities		1,565,862	1,467,101
Contributions in aid of construction		512,435	498,278
Total liabilities and equity		\$ 5,741,038	\$ 5,406,752

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, 2015 and 2014

	2015	2014
Aqua America stockholders' equity:		
Common stock, \$.50 par value	\$ 89,682	\$ 89,296
Capital in excess of par value	773,585	758,145
Retained earnings	930,061	849,952
Treasury stock, at cost	(68,085)	(42,838)
Accumulated other comprehensive income	687	788
Total Aqua America stockholders' equity	1,725,930	1,655,343
Noncontrolling interest	-	40
Total equity	1,725,930	1,655,383
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	5,148
1.00% to 1.99%	2016 to 2035	20,811
2.00% to 2.99%	2024 to 2031	19,167
3.00% to 3.99%	2016 to 2047	297,275
4.00% to 4.99%	2020 to 2054	487,093
5.00% to 5.99%	2016 to 2043	221,435
6.00% to 6.99%	2017 to 2036	52,964
7.00% to 7.99%	2022 to 2027	33,762
8.00% to 8.99%	2021 to 2025	14,502
9.00% to 9.99%	2018 to 2026	27,100
10.00% to 10.99%	2018	6,000
	1,185,257	1,115,322
Notes payable to bank under revolving credit agreement, variable rate, due 2017	60,000	72,000
Unsecured notes payable:		
Bank notes at 1.921% and 1.975% due 2017 and 2018	100,000	50,000
Notes at 3.57% and 3.59% due 2027 and 2030	120,000	50,000
Notes ranging from 4.62% to 4.87%, due 2016 through 2024	144,400	144,400
Notes ranging from 5.20% to 5.95%, due 2016 through 2037	169,548	187,548
Total long-term debt	1,779,205	1,619,270
Current portion of long-term debt	35,593	58,615
Long-term debt, excluding current portion	1,743,612	1,560,655
Total capitalization	\$ 3,469,542	\$ 3,216,038

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, 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
Net income	-	-	201,790	-	-	-	201,790
Other comprehensive loss, net of income tax of \$53	-	-	-	-	(101)	-	(101)
Dividends	-	-	(121,248)	-	-	-	(121,248)
Sale of stock (26,295 shares)	13	664	-	-	-	-	677
Repurchase of stock (981,585 shares)	-	-	-	(25,247)	-	-	(25,247)
Equity compensation plan (321,402 shares)	161	(161)	-	-	-	-	-
Exercise of stock options (424,709 shares)	212	7,328	-	-	-	-	7,540
Stock-based compensation	-	5,860	(433)	-	-	-	5,427
Employee stock plan tax benefits	-	2,602	-	-	-	-	2,602
Other	-	(853)	-	-	-	(40)	(893)
Balance at December 31, 2015	\$ 89,682	\$ 773,585	\$ 930,061	\$ (68,085)	\$ 687	\$ -	\$ 1,725,930

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, 2015, 2014, and 2013

	2015	2014	2013
Cash flows from operating activities:			
Net income attributable to common shareholders	\$ 201,790	\$ 233,239	\$ 221,300
Income from discontinued operations	-	19,355	18,429
Income from continuing operations	201,790	213,884	202,871
Adjustments to reconcile income from continuing operations to net cash flows from operating activities:			
Depreciation and amortization	128,737	126,535	123,985
Deferred income taxes	16,506	31,477	26,699
Provision for doubtful accounts	5,765	5,838	4,708
Share-based compensation	5,860	6,819	5,066
Gain on sale of utility system	-	-	(1,025)
(Gain) loss on sale of other assets	(468)	4	(148)
Gain on extinguishment of debt	(678)	-	-
Equity loss in joint venture	35,177	3,989	2,665
Net change in receivables, inventory and prepayments	(6,520)	(20,299)	4,466
Net change in payables, accrued interest, accrued taxes and other accrued liabilities	(3,469)	470	(13,425)
Change in income tax receivable	-	7,873	8,209
Other	(11,906)	(11,702)	1,338
Operating cash flows from continuing operations	370,794	364,888	365,409
Operating cash flows (used in) from discontinued operations, net	-	(1,100)	2,410
Net cash flows from operating activities	370,794	363,788	367,819
Cash flows from investing activities:			
Property, plant and equipment additions, including the debt component of allowance for funds used during construction of \$1,598, \$1,494, and \$1,742	(364,689)	(328,605)	(307,908)
Acquisitions of utility systems and other, net	(28,989)	(14,616)	(14,997)
Release of funds previously restricted for construction activity	47	-	23,531
Additions to funds restricted for construction activity	-	-	(6)
Net proceeds from the sale of utility systems and other assets	648	558	5,315
Investment in joint venture	-	-	(14,700)
Other	(1,079)	279	76
Investing cash flows used in continuing operations	(394,062)	(342,384)	(308,689)
Investing cash flows from discontinued operations, net	-	49,883	87,126
Net cash flows used in investing activities	(394,062)	(292,501)	(221,563)
Cash flows from financing activities:			
Customers' advances and contributions in aid of construction	5,904	6,064	5,114
Repayments of customers' advances	(3,977)	(4,028)	(4,303)
Net repayments of short-term debt	(1,677)	(18,342)	(43,643)
Proceeds from long-term debt	560,544	317,699	263,834
Repayments of long-term debt	(400,407)	(253,192)	(300,323)
Change in cash overdraft position	(739)	(322)	9,872
Proceeds from issuing common stock	677	-	10,290
Proceeds from exercised stock options	7,540	7,296	25,698
Share-based compensation windfall tax benefits	1,842	1,422	2,420
Repurchase of common stock	(25,247)	(15,756)	(12,823)
Dividends paid on common stock	(121,248)	(112,106)	(102,889)
Other	(853)	(793)	-
Financing cash flows used in continuing operations	22,359	(72,058)	(146,753)
Financing cash flows (used in) from discontinued operations, net	-	(149)	34
Net cash flows used in financing activities	22,359	(72,207)	(146,719)
Net decrease in cash and cash equivalents	(909)	(920)	(463)
Cash and cash equivalents at beginning of year	4,138	5,058	5,521
Cash and cash equivalents at end of year	\$ 3,229	\$ 4,138	\$ 5,058
Cash paid during the year for:			
Interest, net of amounts capitalized	\$ 70,103	\$ 72,441	\$ 75,452
Income taxes	6,902	4,348	6,995
Non-cash investing activities:			
Property, plant and equipment additions purchased at the period end, but not yet paid	\$ 25,612	\$ 31,050	\$ 30,974
Non-cash customer advances for construction	27,992	43,642	26,188

See accompanying notes to consolidated financial statements.

See 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

LGI PROJECT REIMBURSEMENT AGREEMENT

This Project Reimbursement Agreement ("PRA") is made as of ^{October} September 7, 2015, by and between Aqua Texas, Inc., a Texas corporation, whose corporate headquarters and principal place of business is at 1106 Clayton Lane, Suite. 400W, Austin, Texas 78723 ("Aqua Texas") and LGI Homes-Texas, LLC, a Texas limited liability company whose office is located at 1450 Lake Robins Drive, Suite 430, The Woodlands, Texas 77380 ("LGI").

BACKGROUND AND RECITALS

LGI intends to purchase and develop approximately 356 single family residential lots (the "Lots") within a 95.585 +/- acre tract of land located in the A.B.J. Winfree Survey Abstract No. 306, Chambers County, Texas, which land is described by metes and bounds on the attached Exhibit 1 and is incorporated herein by reference (the "Project"). Aqua Texas is the owner and operator of private water and wastewater utilities throughout the state of Texas, and provides water and wastewater service to areas in the vicinity of the Project through one or more Certificates of Convenience and Necessity ("CCN") issued by the Texas Commission on Environmental Quality ("TCEQ") and/or the Texas Public Utility Commission ("PUC"), as applicable.

LGI wishes to utilize Aqua Texas as the sole and exclusive provider of water and wastewater for the Project, and Aqua Texas is willing to be the water and wastewater service provider of all of LGI's real estate endeavors located in the Project.

Aqua Texas represents that it has sufficient capacity or will build sufficient capacity in its regional wastewater and water systems to provide continuous and adequate retail water and wastewater utility services to LGI's endeavors in the Project according to the statutes of the State of Texas and the rules of the TCEQ and/or the PUC, as applicable.

Aqua Texas is willing to reimburse LGI for certain expenses incurred by LGI in installing water and wastewater lines in the Project which become part of the Aqua Texas utility system, pursuant to the terms and conditions described in this PRA.

In consideration of the mutual covenants contained in this PRA, and intending to be legally bound, the Aqua Texas and LGI agree as follows:

A. GENERAL CONCEPTS. The general concept of the PRA and the intent of the parties with respect to this PRA arrangement and all associated agreements executed in connection herewith is as follows:

1. All real estate in the Project shall be covered by this PRA and shall be included in the Aqua Texas Water CCN Service Area and Wastewater CCN Service Area. All

connections to the Aqua Texas water and/or wastewater systems in the Project shall become permanent customers of Aqua Texas. It is anticipated that connections and customers will be added in one or more phases over a multi-year time period as the Project is developed.

2. The Project is not currently served by any water CCN. Aqua Texas shall file an application with the PUC/TCEQ to add the Project into the Aqua Texas Water CCN, and the costs and expenses of the filing and the application process shall be borne by Aqua Texas. LGI, at its cost, shall provide the mapping, engineering, and ownership documentation, drawings, plans, reports, etc. as needed or requested by the PUC/TCEQ.
3. The Project is currently within a sewer CCN assigned to Gulf Coast Waste Disposal Authority. As requested by LGI during discussions prior to the execution of this PRA, Aqua Texas shall file an expedited release application with the PUC/TCEQ on behalf of LGI and/or other landowners adjacent to the Project to have the Project released from the Gulf Coast Waste Disposal Authority CCN; and the costs and expenses of the filing and the application process shall be borne by Aqua Texas. LGI, at its cost, shall provide the mapping, engineering, and ownership documentation, drawings, plans, reports, etc. as needed or requested by the PUC/TCEQ.
4. As requested by LGI during discussions prior to the execution of this PRA, as soon as is practical following the filing of the expedited release application described above, Aqua Texas shall file an application with the PUC/TCEQ to add the Project into the Aqua Texas Wastewater CCN; and the costs and expenses of the filing and the application process shall be borne by Aqua Texas. LGI, at its cost, shall provide the mapping, engineering, and ownership documentation, drawings, plans, reports, etc. as needed or requested by the PUC/TCEQ.
5. Aqua Texas will use its existing water and wastewater plants in the vicinity of the Project to serve the Project. The existing water plant is located south of the Project as shown on the attached Exhibit 2a. The existing wastewater plant is located southwest of the Project as shown on the attached Exhibit 2b. Collectively, these plants are the "Central Facilities."
6. If additional and/or expanded water and/or wastewater plants or capacities beyond the Central Facilities are required, Aqua Texas shall, at its cost, be responsible for the design and/or construction of such additional plants and/or plant expansions. Expansions to the Central Facilities probably will not be needed until after the first of the phases anticipated over a multi-year time period for the Project is developed.
7. LGI shall, at its cost, design and construct the various water and wastewater service lines and trunk lines (collectively called "Interior Lines") for the Project and shall contribute those Interior Lines to Aqua Texas as provided herein. It is anticipated that Interior Lines will be added in one or more phases over a multi-year time period as the Project is developed.

8. LGI shall, at its cost, design and construct the water and wastewater lines and facilities needed to connect the Project to the Central Facilities (collectively called the "Line Extensions"), and shall contribute those Line Extensions to Aqua Texas as provided herein.
9. Aqua Texas shall reimburse LGI for the design and construction of the Interior Lines and the Line Extensions with such reimbursement being specifically limited to the lesser of the total cost of such Interior Lines and Line Extensions or \$5,000 per Living Unit Equivalent ("LUE") connection (\$2,500 for each water LUE connection plus \$2,500 for each sewer LUE connection). LUE refers to a connection which by standard industry design criteria is anticipated to use 250 gallons per day of water capacity and 200 gallons per day of wastewater capacity. Each single family dwelling unit built in the Project shall be one LUE.
10. The obligations of the parties under this PRA are contingent on LGI's acquisition of the Project. In the event LGI does not acquire the land in the Project on or before October 30, 2015, this PRA shall automatically be null and void without further action of either party. In addition, LGI will only be obligated to construct Interior Lines and Line Extensions hereunder as and when needed to serve the Project. LGI intends to build houses in the Project in one or more phases over a multi-year time period. Similarly, Aqua Texas shall only be obligated to provide water and/or sewer utility services as connections are requested in each of the completed phases.

B. CCN SERVICE AREA, RATE TARIFF, CENTRAL FACILITIES.

1. **Water CCN Service Area.** Aqua Texas will provide water utility service to the Project for all areas located within Aqua Texas' Water CCN boundaries, as permitted by applicable Texas law, rule, and regulation, including areas located within one quarter of a mile from the boundary of the existing Aqua Texas Water CCN (the "Water CCN Service Area"). LGI acknowledges that Aqua Texas cannot lawfully serve areas outside of its Water CCN Service Area without specifically adding such areas to its Water CCN Service Area.
2. **Water CCN Application.** The Project is not currently served by any water CCN. LGI and Aqua Texas agree to work together to add the Project into the Water CCN Service Area. As soon as is practical after the execution of this PRA, Aqua Texas shall file an application with the PUC/TCEQ to add the Project into the Water CCN Service Area; and the costs of preparing and filing the documents with the PUC/TCEQ and all associated items shall be borne by Aqua Texas; but LGI will pay its own legal, internal, engineering and similar costs, including costs incurred to produce maps, drawings, plans, reports, etc. which are part of the PUC/TCEQ filing and application process.
3. **Sewer CCN Service Area.** Aqua Texas will provide sewer utility service to the Project for all areas located within Aqua Texas' Sewer CCN boundaries, as permitted by applicable Texas law, rule, and regulation, including areas located within one quarter of a

mile from the boundary of the existing Aqua Texas Sewer CCN (the "Sewer CCN Service Area"). LGI acknowledges that Aqua Texas cannot lawfully serve areas outside of its Sewer CCN Service Area without specifically adding such areas to its Sewer CCN Service Area. LGI and Aqua Texas agree to work together to add the Project into the Sewer CCN Service Area.

4. **Sewer CCN Expedited Release.** The Project is currently within a sewer CCN assigned to Gulf Coast Waste Disposal Authority. As requested by LGI during discussions prior to the execution of this PRA, as soon as is practical after the execution of this PRA, Aqua Texas shall file an expedited release application with the PUC/TCEQ on behalf of LGI to have the Project released from the Gulf Coast Waste Disposal Authority CCN; and the costs and expenses of the filing the release and the associated release application shall be borne by Aqua Texas; but LGI will pay its own legal, internal, engineering, and similar costs, including costs incurred to produce maps, drawings, etc. which are part of the PUC/TCEQ release filing and application process.
5. **Sewer CCN Application.** As soon as is practical after the execution of this PRA and after the filing of the aforementioned expedited release application, Aqua Texas shall file an application with the PUC/TCEQ to have the Project added to the Sewer CCN Service Area; and the costs and expenses of the filing the release and the associated application shall be borne by Aqua Texas; but LGI will pay its own legal, internal, engineering and similar costs, including cost incurred to produce maps, drawings, etc. which are part of the PUC/TCEQ filing and application process.
6. **CCN Application Process.** LGI agrees that it will cooperate with Aqua Texas to add the Project to the Aqua Texas Water and Sewer CCNs issued by the PUC/TCEQ, as described above. LGI shall provide any further reasonable and prompt assistance to Aqua Texas in adding the Project to Aqua Texas' CCNs by providing relevant information and/or documentation to Aqua Texas promptly upon reasonable request. Aqua Texas will respond to protests, if any, filed in connection with the application to add the Project to the Aqua Texas CCNs. Aqua Texas shall notify LGI of filings and proceedings in the CCN application process. Either Aqua Texas or LGI can abandon any CCN application if a protest to the application is filed and such party believes that the legal and political costs and/or time associated with a protest to the application make serving the Project unfeasible. If an application to include the Project in an Aqua Texas CCN is abandoned at the written request of either LGI or Aqua Texas as aforesaid, then at LGI's election (delivered in writing to Aqua Texas), either (i) this PRA will be revised so that the Project refers only to areas within Aqua's CCN Service Areas, or (ii) this PRA will terminate and neither party shall have any further obligation to the other pursuant to this PRA.
7. **Rate Tariff.** After the Project is added to the Aqua Texas CCNs, all connections in the Project which are made to the Aqua Texas water and/or wastewater systems shall become permanent customers of Aqua Texas. Such customers shall be obligated to pay water and wastewater bills in accordance with the then current tariff approved by the PUC, TCEQ, or any successor agency having jurisdiction over water and wastewater utility providers

and the rates associated with services, as such tariff may change from time to time (the "Approved Rate Tariff"). The most current Approved Rate Tariff was approved by the TCEQ on July 17, 2014. The CCN applications shall request that the Project be included in the area covered by the July 17, 2014 Approved Rate Tariff.

8. **Contribution in Aid of Construction.** Applicable PUC/TCEQ rules and regulations and the Approved Rate Tariff provide that developers desiring to utilize existing water and wastewater facilities like the Central Facilities must make a Contribution in Aid of Construction ("CIAC") before connecting to the Aqua Texas System or the Central Facilities. As a condition precedent for reimbursement pursuant to this PRA, LGI must pay CIAC to Aqua Texas for the LUE connections in the phase of the Project then being developed at the then current CIAC rates. As of the date of this Agreement, CIAC is \$623 per water LUE ("Water CIAC") and \$848 per sewer LUE ("Sewer CIAC"), but CIAC may change up or down from those amounts in the future as provided in the Approved Rate Tariff. CIAC must be paid prior to beginning construction on any Line Extensions or Interior Lines in each phase of the Project as that phase is developed. Aqua Texas' obligation to provide water or sewer services for a phase of the Project pursuant to this Agreement shall not begin until CIAC for the phase of the Project then being developed has been paid (or waived) as provided herein.
9. **Waiver of Water CIAC.** Applicable PUC/TCEQ rules and regulations and the Approved Rate Tariff provide that CIAC can be waived under certain circumstances. Aqua Texas agrees to waive Water CIAC in exchange for fee simple interest in a mutually agreed upon tract of land which Aqua Texas can later use for an additional water plant to serve the Project and/or other Aqua Texas customers. Said real property must be at a site within or near the Project acceptable to Aqua Texas for use a water plant, must be cleared and have public road access, and must have electrical power and associated utility service readily available at the site without the need for additional utility construction by Aqua Texas, other than minimal connection costs and associated connection lines and equipment. The payment of Water CIAC for a phase or the receipt of the aforementioned mutually agreeable water plant site shall be a condition precedent to Aqua Texas' obligations under this Agreement. If the mutually agreeable water plant site is conveyed to Aqua Texas, then the Water CIAC for the entire Project shall be waived. If Water CIAC is not waived pursuant to this section, Aqua Texas' obligation to provide water services to a phase of the Project pursuant to this Agreement shall not begin until Water CIAC has been paid for such phase (with such payments being made by phases as each phase of the Project is developed).
10. **Waiver of Sewer CIAC.** Applicable PUC/TCEQ rules and regulations and the Approved Rate Tariff provide that CIAC can be waived under certain circumstances. Aqua Texas agrees to waive Sewer CIAC in exchange for a full and final release (whether by release instrument or by the terms of a separate Project Reimbursement Agreement or other service agreement with Aqua Texas) executed by all landowners (other than LGI) of real property on Exhibit 6 attached hereto and incorporated herein by reference and affected by any purported and alleged utility service letters from Gray Utility Service, LLC or any other party (the "Gray Utility Service Letters") offering or

guaranteeing water and/or wastewater utilities to such landowners LGI hereby fully and finally releases any and all rights, title and interests LGI may have by virtue of ownership of the Project under the Gray Utility Service Letters. The payment of Sewer CIAC or the receipt of the aforementioned full and final release shall be a condition precedent to Aqua Texas' obligations under this Agreement. If the full and final releases are all provided to and accepted by Aqua Texas, then the Sewer CIAC for the entire project shall be waived. If Sewer CIAC is not waived pursuant to this section, Aqua Texas' obligation to provide sewer services to the Project pursuant to this Agreement shall not begin until Sewer CIAC has been paid with such payments being made by phases as each phase of the Project is developed.

11. **Central Facilities.** Aqua Texas shall be solely responsible for the design, engineering, installation, and construction of any central water and/or wastewater facilities needed to serve the Project, including plant expansions, if necessary. For purposes of this PRA, the "Central Facilities" are identified as the water treatment plant described in Exhibit 2a and the wastewater treatment plant described in Exhibit 2b, plus any future water facilities built on the mutually agreeable future water well site described in this Agreement, plus and expansions of such plants. Aqua Texas, in its sole opinion, will determine when and if new Central Facilities (including whether and when a new or additional water plant is required or desirable to provide) shall be designed and constructed. The Line Extensions designed and constructed by LGI shall connect the Project to the Central Facilities, including to the future plant site contributed as CIAC, if and when designated by Aqua Texas. Aqua Texas, may change the Central Facilities used to provide service to the Project in order to best serve all of its customers. If changes are made to the location of the Central Facilities after LGI's completion of the design and construction of, and after request for contribution is made by LGI for, the Line Extensions to Aqua Texas, then changes in the Line Extensions or in the method of serving the Project shall be at the cost of Aqua Texas.
12. **Interior Lines.** LGI shall be responsible for the design, engineering, construction, and installation of the Interior Lines which serve the Project. "Interior Lines" shall include water and/or wastewater collection trunks, lines, laterals, mains, extensions and all related improvements located within the Project, which transport water and/or wastewater to and/or from the Project to the regional wastewater treatment and/or water production facilities designated by Aqua Texas, including but not limited to, trunk lines, mains, laterals, lines, extensions, piping, taps, stub outs, gate valves, valve boxes, manholes, lift stations and any restoration work associated with the construction and installation of such items. Interior Lines do not include water service lines and sewer laterals owned by or to be owned by customers of the Aqua Texas regional water and wastewater systems. The Interior Lines must be located in dedicated easements and must be accessible by Aqua Texas from a public road or through a dedicated easement. It is anticipated that Interior Lines will be added in one or more phases over a multi-year time period as the Project is developed.
13. **Line Extensions.** LGI shall be responsible for the design, engineering, construction, and installation of the Line Extensions which serve the Project. "Line Extensions" include

water and/or wastewater collection trunks, lines, laterals, mains, extensions, booster stations, lift stations, force mains and all related improvements, which transport water and/or wastewater between the Project and the Central Facilities which lie outside the Project, including but not limited to, trunk lines, mains, laterals, lines, extensions, piping, taps, stub outs, gate valves, valve boxes, manholes, lift stations and any restoration work associated with the construction and installation of such items. The Line Extensions must be located in dedicated easements and must be accessible by Aqua Texas from a public road or through a dedicated easement.

- C. INTERIOR LINES AND LINE EXTENSIONS.** The following requirements apply to the design, engineering, construction and installation of all Interior Lines and Line Extensions used in the Project. Because it is anticipated that Interior Lines and/or Line Extensions will be added in one or more phases over a multi-year time period as the Project is developed, the requirements enumerated below will, when appropriate, be construed to apply on a phase by phase basis as the Project is developed. Interior Lines and Line Extensions may include trunk lines which are common to and may serve multiple developments, Project, sites, and/or subdivisions but LGI shall have no obligation to pay for any oversizing of any facilities to serve areas outside the Project, and LGI and Aqua Texas will agree upon an arrangement whereby Aqua Texas pays any additional marginal costs of such oversizing that may be required by Aqua Texas.
- 1. Separate Developer Construction Agreements.** The respective obligations of Aqua Texas and LGI with respect to the actual construction of the Interior Lines and the Line Extensions shall be delineated in separate agreements (commonly referred to Developer Line Agreements or Line Extension Agreements) executed between the parties prior to design, engineering, construction, and installation of such Interior Lines and Line Extensions. The terms and provisions of such separate agreements shall include substantially the same provisions described in this Section C. In the case of conflict between the provisions of this Section C and the separate agreement, the separate agreement shall control. Sample Developer Line Agreement and Line Extension Agreement contracts are attached hereto as Exhibit 3 and Exhibit 4.
 - 2. Design and Regulatory Requirements.** LGI shall engage a licensed Texas engineer to design the Interior Lines and the Line Extensions. The design must be consistent with general industry standards, all regulatory requirements, and local Aqua Texas specifications, and must be approved by Aqua Texas' engineer prior to construction, which approval shall not be unreasonably withheld or delayed, except for matters relating to System design and specifications, in which case approval may be withheld in the Aqua Texas engineer's sole discretion. Following approval by the Aqua Texas engineer, LGI will make application and obtain from each applicable regulatory agency all necessary permits and approvals for the construction and installation of the Interior Lines and Line Extensions and will take all necessary steps to assure compliance with regulatory requirements prior to initiating construction or installation of any part of the Interior Lines or Line Extensions.

3. **Easements.** Prior to beginning construction on the Interior Lines or the Line Extensions, LGI will obtain any required easements or right of way for the construction and installation of the Interior Lines and the Line Extensions and shall convey such easement rights to Aqua Texas upon contribution of the lines to Aqua Texas. LGI shall bear all costs, if any, associated with procuring the required easements and/or right of way for the Interior Lines and the Line Extensions. LGI shall not be required to pay for the easements utilized to connect the Project to the Central Facilities if Aqua Texas already owns easement rights to the property or owns the property where the lines are located, and if said lines are located within easements approved by or specified by Aqua Texas. If LGI incurs costs in obtaining the Line Extension easements contemplated herein, those costs shall be added to the Reimbursement Pool.
4. **Environmental Assessment.** Prior to construction, LGI shall deliver to Aqua Texas a copy of a Phase I Environmental Site Assessment for the Project, which shall have been conducted by a reputable environmental engineering firm reasonably acceptable to Aqua Texas in accordance with American Society Testing Methods (ASTM) standards (the "Environmental Report").
5. **Construction.** LGI shall have the sole responsibility to design, furnish and install, at LGI's sole expense, all of the Interior Lines and the Line Extensions. LGI is responsible for supplying all necessary materials and performing the construction and installation of the Interior Lines and Line Extensions, which includes but is not limited to design, engineering, financing, construction, installation, and inspection of the Interior Lines and Line Extensions. LGI agrees to proceed diligently to completion of construction of the Interior Lines and the Line Extensions. Following completion, LGI will provide accurate and complete as-built information for the facilities (the "As-Built Information"); and concurrently with progress of construction, will make the As-Built Information available to a designated Aqua Texas representative.
6. **Worksite Responsibility.** LGI is responsible for the worksite, including the means and methods of construction, and safety precautions, procedures and programs so that work is conducted in a safe manner for the protection of anyone on or near the Interior Lines and the Line Extensions. Under no circumstances shall Aqua Texas be deemed to be responsible for the methods of construction or the safety precautions and procedures at the worksite. LGI will install and complete the Interior Lines and Line Extensions in a workmanlike manner, in accordance with all applicable laws, regulations and ordinances, including without limitation environmental laws and regulations, and Aqua Texas specifications. Pursuant to applicable law, before starting work, LGI will independently investigate and verify in the field the existence and location of underground utilities, whether or not indicated on the plans.
7. **Connection into Aqua Texas Facility.** Except with the prior written authorization of Aqua Texas, LGI is prohibited from connecting the Interior Lines or the Line Extensions into any Aqua Texas facilities, which connection will be performed by Aqua Texas or under its direction. LGI is responsible for all maintenance and repair of the installed Interior Lines and the Line Extensions prior to Contribution, whether or not Aqua Texas

has commenced providing water service or wastewater service utilizing the Interior Lines or the Line Extensions.

8. **Warranty by LGI.** LGI hereby warrants that the Interior Lines, the Line Extensions, and all associated components, including without limitation integrity of trenches and integrity of paving and other restoration work, will not leak and will be free from defects in materials and workmanship for a period of one (1) year from the date of Contribution to Aqua Texas, and that the final As-Built Information, when delivered to Aqua Texas, will be accurate and complete. LGI will promptly proceed at its own cost and expense to make good all portions of the work or materials determined by Aqua Texas which fail to conform with the Aqua Texas specifications approved in accordance with Section C.2. herein (the "Approved Plans"), which fail in whole or in part prior to the end of the one year warranty period, or which are damaged or destroyed by removal of the non-conforming work or materials; and LGI will replace or repair those portions in accordance with the Approved Plans and will revise the As-Built Information to be accurate and complete if it is discovered within said one-year period to be incorrect. In connection with this warranty obligation, LGI agrees to cause each contractor of a portion of the Interior Lines and/or the Line Extensions to provide a one year maintenance bond and/or one year letter of credit equivalent to the amount of the total cost certification of the Interior Lines and the Line Extensions. If LGI fails to remedy or correct non-conforming work or materials or to revise the As-Built Information to be accurate and complete within said one-year period, Aqua Texas may bring the work or materials or As-Built Information into conformation at the expense of LGI (for which Aqua Texas may draw down on any maintenance bond or letter of credit and/or pursue any other available remedy). LGI and Aqua Texas acknowledge and agree that neither the contractor's warranty bond nor any of letter of credit, nor Aqua Texas' reliance upon or utilization of such items, shall replace LGI's warranty obligations herein nor constitute an election of remedies on the part of Aqua Texas.
9. **Contractor.** LGI is free to engage a contractor or sub-contractor to construct the Interior Lines and the Line Extensions, provided a) that such contractor is approved in writing in advance by Aqua Texas, which approval will not be unreasonably withheld (provided Aqua Texas will not be obligated to approve any contractor with whom Aqua has had a dispute in the past or Aqua Texas reasonably believes has a reputation for doing sub-standard work), and b) that such contractor agrees to be bound by the various bonding, warranty, workmanship, safety, and other provisions in this PRA and or any other agreement executed in association herewith. Because Aqua Texas will not be in privity with said contractor, LGI shall remain liable for warranty of the lines contributed to Aqua Texas as provided in Section 7 above.
10. **Final Cost Certification.** Upon completion of each phase of the Project's Interior Lines and the Line Extensions, LGI will certify to Aqua Texas the total cost of the construction, installation, engineering, and design for that phase (the "Cost Certification"). In addition, LGI will supply the actual invoices or copies thereof to support the Cost Certification. LGI will represent that the stated cost is complete and accurate and indemnify Aqua Texas against any claim that the cost is not complete and accurate. Aqua Texas reserves

the right to review and audit all information provided and utilized in preparing the Cost Certification and to make the final determination of cost. The Cost Certification certified by LGI pursuant hereto and reviewed and approved by Aqua Texas (which approval shall not be unreasonably withheld, conditioned or delayed) is herein referred to as the "Final Cost Certification" for that phase.

11. Contribution. Upon completion design, construction, installation, and certification by LGI or its engineer that a particular phase of the Project's Interior Lines and the Line Extensions were completed in accordance with the plans and specifications which plans and specifications were approved as provided in this PRA (herein referred to as "completion"), LGI will contribute that phase's Interior Lines and/or Line Extensions to Aqua Texas, such that the facilities in that phase become the property of Aqua Texas from which Aqua Texas may serve customers inside and outside of the Project. The contribution will occur upon the execution of a bill of sale and conveyance in the form attached hereto as Exhibit 5 by LGI and the receipt and acceptance of such bill of sale and conveyance by Aqua Texas, said two acts together constituting the "Contribution." After Contribution, Aqua Texas will assume full responsibility for operating and maintaining the contributed Interior Lines and/or the Line Extensions subject to LGI's warranty obligations under Section 7 above.

12. Matters in Connection with Contribution. The following must be completed prior to Contribution of each phase of Interior Lines and or Line Extensions, or, with the written permission of Aqua Texas, within one month after Contribution of each phase of Interior Lines or the Line Extensions:

- a) Payment of all CIAC by LGI to Aqua Texas at the CIAC rates in effect at the time of payment, unless CIAC has been waived pursuant to this Agreement;
- b) Completion of the Interior Lines and the Line Extensions in accordance with the specific Developer Line Agreements and Line Extension Agreements executed and pursuant to this PRA;
- c) The Interior Lines and Line Extensions passing all testing procedures performed by Aqua Texas in accordance with its regular pre-service procedures;
- d) Provision of accurate As-Built Information to Aqua Texas as required by this PRA;
- e) Cost Certification as required by the PRA;
- f) LGI's certification, and provision of evidence satisfactory to Aqua Texas, that it has paid or discharged any mechanic's liens or other encumbrances which may have been filed against the Interior Lines or the Line Extensions or the Project which encumber the Interior Lines or the Line Extensions;

- g) LGI's certification, and provision of evidence satisfactory to Aqua Texas, that LGI has paid or discharged the contractor;
- h) Payment to Aqua Texas of any outstanding fees or other amounts owed by LGI to Aqua Texas; and
- i) Receipt and/or transfer of any grant, revision, correction or confirmation of easements, in addition to easements granted prior to construction, which Aqua Texas may require to convey all necessary and appropriate easements and rights-of-way.

D. REIMBURSEMENT TO LGI. Following the Contribution of Interior Lines and the Line Extensions by LGI to Aqua Texas, Aqua Texas shall reimburse LGI for the costs associated with the design, engineering, construction and installation of such Interior Lines and Line Extensions.

1. The total value of the Interior Lines and Line Extensions contributed to Aqua Texas, as determined and evidenced by the amounts in a Final Cost Certification, shall go into a Reimbursement Pool (herein so called) which will be used to reimburse LGI pursuant to this PRA.
2. Aqua Texas shall be obligated to reimburse LGI \$2,500 for each new water LUE connection that actually, physically, and lawfully connects to Aqua Texas' regional system through the Interior Lines and Line Extensions in the Project plus \$2,500 for each new sewer LUE connection that actually, physically, and lawfully connects to Aqua Texas' regional system through the Interior Lines and Line Extensions in the Project for a total of \$5,000 per LUE (a "Qualifying Connection"). A reimbursement made for a Qualifying Connection shall be a "Qualified Reimbursement."
3. When paid by Aqua Texas to LGI, each Qualified Reimbursement shall be deducted from the Reimbursement Pool, such that the total value amount available for future reimbursement to LGI is reduced with each Qualified Reimbursement.
4. The value amount available for future reimbursement at any time shall be determined by taking the total of all amounts contributed per the various Final Cost Certifications submitted as each phase of the Project is completed and deducting the total of all Qualified Reimbursements to date, with the resulting figure being the value balance in the Reimbursement Pool.
5. As clarification to the definition of a Qualifying Connection, such connection must be located in the Project and in Aqua Texas' CCN; must be lawfully connected and installed as part of Aqua Texas' regional system through the Interior Lines including both water and wastewater service; CIAC must have been paid by LGI and received by Aqua Texas for each Qualifying Connection (or waiver of CIAC as provided in this PRA); and the