

Recommended Corrective Action: Submit a copy of the letter providing the system with an exception from TCEQ's Utilities Review and Oversight Team (UROT) or a copy of the letter from the TCEQ's UROT indicating that your well has been approved for use to verify compliance.

Track No: 522548 Compliance Due Date: To Be Determined

30 TAC Chapter 290.39(e)

30 TAC Chapter 290.39(h)(1)

Alleged Violation:

Investigation: 1128285

Comment Date: 12/16/2013

Examination of Plans and Specifications

Failure to secure the services of a registered professional engineer well versed in the design and construction of public water systems so that "as built" plans and specifications can be prepared and submitted for our review. The submittal must describe the existing facilities as well as any proposed modifications which are necessary to bring the regulated entity into compliance with our regulations.

Please be aware that all "as built plans" must be submitted to Austin in writing for approval and that the system may request an exception by writing to the:

Texas Commission on Environmental Quality, Utilities Technical Review Team (MC-159),
P.O. Box 13087, Austin, Texas 78711-3087, phone (512)239-4691.

At the time of the compliance investigation, there was an exception in the region file approving the use of the pressure tank at the water plant, but there was no documentation available showing that the plant as a whole (ground storage tank, service pumps, etc.) had been approved for construction. Additionally, there was no documentation available showing that G0360005A, Well 1, was approved for construction.

Recommended Corrective Action: Submit copies of letters showing that the water plant and Well 1 have been approved for construction, or approved exceptions, to verify compliance.

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

Track No: 434981

30 TAC Chapter 290.39(a)

Alleged Violation:

Investigation: 922459

Comment Date: 05/31/2011

Failure to maintain the public water systems operating records organized, and copies kept on file or stored electronically. The operating records must be accessible for review during inspections.

During the compliant investigation there were no flushing records available to review for the water system. Flushing of all dead-end mains must be flushed at monthly intervals.

Investigation: 1128285

Comment Date: 12/16/2013

Operating Records and Reports

Monthly Reports of Water Works Operation must be compiled regularly each month and kept on file for commission review for at least 2 years. The reports must be completed in ink, typed, or computer-printed and must be signed by the certified operator.

The monthly report must include the following data:

The dates that dead-ends were flushed [§290.46(f)(3)(A)(iv)]

Recommended Corrective Action: Submit a copy of the water system flushing records to verify compliance.

Resolution: At the time of the compliance investigation conducted on October 30, 2013,

dead-end flushing records for the system were made available to the investigators by operating company personnel.

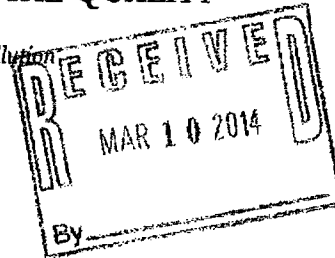
Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Zak Covar, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

March 6, 2014



Mr. Dan Rimann, Vice President of Operations
Aqua Utilities, Inc.
1106 Clayton Ln., Ste. 400W
Austin, Texas 78723-2476

Re: Notice of Violation for the Comprehensive Compliance Investigation at:
Gray Utility Service, 5601 S. FM 565 Rd., Chambers County, Texas
Regulated Entity No.: 10123353, TCEQ ID No.: 0360005, Investigation No.: 1150588

Dear Mr. Rimann:

On January 15 to March 3, 2014, Mr. Miguel Galvan and Ms. Christina Bernal of the Texas Commission on Environmental Quality (TCEQ) Houston Region Office conducted an investigation of the above-referenced regulated entity to evaluate compliance with applicable requirements for Public Water Supply. Enclosed is a summary which lists the investigation findings. During the investigation, a concern was noted which was an alleged noncompliance that has been resolved based on subsequent corrective action. Based on the information submitted, no further action is required concerning this investigation.

The TCEQ appreciates your assistance in this matter. If you or members of your staff have any questions, please feel free to contact Ms. Christina Bernal in the Houston Region Office at (713)767-3650.

Sincerely,

A handwritten signature in cursive script that reads "Leticia De Leon".

Leticia De Leon, Team Leader
Public Water Supply
Houston Region Office

LD/CB/ra

cc: Chambers County Health Department

Enclosures: Summary of Investigation Findings

Summary of Investigation Findings

GRAY UTILITY SERVICE

5601 FM 565 EAST

BAYTOWN, CHAMBERS COUNTY, TX 77520

Additional ID(s): 0360005

Investigation #

1150588

Investigation Date: 01/20/2014

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

Track No: 528989

30 TAC Chapter 290.110(b)(4)

Alleged Violation:

Investigation: 1150588

Comment Date: 03/04/2014

Disinfectant Residual and Monitoring

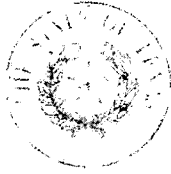
Failure to maintain the residual disinfectant concentration in the far reaches of the distribution system at a minimum of 0.5 mg/L chloramine, as per agency regulations. Field tests conducted during this survey revealed that these levels are not being maintained throughout the system. As a result of these tests, the system must feed more chlorine and/or install ammonia feed equipment to raise the chloramine residual to achieve breakpoint chlorination. You should consult with your supplier and/or engineer to determine what corrective actions are necessary to bring your system into compliance.

At the time of the site visit on February 14, 2014, the investigators found a low disinfectant residual of 0.10 milligrams per liter (mg/L) total chlorine at the residence of a concerned customer.

Recommended Corrective Action: Submit a copy of the system disinfectant residual log to show the total chlorine level has been brought back up to the required minimum of 0.5 mg/L.

Resolution: On March 3, 2014, an email was received, which listed distribution residuals for the system from February 14 through February 21. These residuals ranged from 0.52 mg/L to 1.27 mg/L, which all meet the required minimum of 0.5 mg/L.

Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Zak Covar, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

November 5, 2014

CERTIFIED MAIL 7012 1640 0001 7339 2226
RETURN RECEIPT REQUESTED

Mr. Robert Laughman, President
Aqua Utilities, Inc.
2211 Louetta Road
Spring, Texas 77388

Re: Notice of Violation for the Compliance Investigation at:
Aqua Utilities, Inc. Veranda Wastewater Treatment Plant, 5601 FM 565, Baytown,
Chambers County, Texas
TPDES Permit No. 11449-001, EPA ID No. TX0066656

Dear Mr. Laughman:

On September 17, 2014, Ms. Stacy Pentecost of the Texas Commission on Environmental Quality (TCEQ) Houston Region Office conducted an investigation of the above-referenced regulated entity to evaluate compliance with applicable water quality requirements. Enclosed is a summary which lists the investigation findings. During the investigation, certain alleged violations were noted. Three of the violations were subsequently resolved through corrective action and written documentation. Please submit to this office by December 5, 2014 a written description of corrective action taken and the required documentation demonstrating that compliance has been achieved for the two outstanding alleged violations.

The TCEQ appreciates your assistance in this matter. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with environmental regulatory requirements. Self-reported violations may be subject to enforcement, including penalties, upon review by the Enforcement Division.

If you or members of your staff have any questions, please feel free to contact Ms. Stacy Pentecost in the Houston Region Office at Phone #713-767-3667.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth Sears".

Elizabeth Sears
Team Leader
Water Quality Management
Region 12 Houston

EWS/SSP/ci

Enclosures: Summary of Investigation Findings

cc: Mr. Abel Bautista, 2211 Louetta Road, Spring, Texas 77388

SUMMARY OF INVESTIGATION FINDINGS

VERANDA 5019 COTTON LAKE RD COVE, CHAMBERS COUNTY, TX 77523 Additional ID(s): WQ0011449001 TX0066656	Investigation # 1203692 Investigation Date: 09/17/2014
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OUTSTANDING ALLEGED VIOLATION(S)

Track No: 552750 Compliance Due Date: 10/01/2014
30 TAC Chapter 305.125(1)

Alleged Violation:

Investigation: 1203692

Comment Date: 11/04/2014

Failed to provide a readily accessible sampling point. Specifically, a permanently affixed ladder and walkway were not provided to safely access the sampling point. A small, homemade, wooden ladder was propped up against the chlorine contact basin wall near the v-notch weir.

Recommended Corrective Action: Submit documentation demonstrating that a readily accessible sampling point has been provided.

Track No: 552753 Compliance Due Date: 10/01/2014
30 TAC Chapter 217.60(b)
30 TAC Chapter 305.125(1)
30 TAC Chapter 305.125(5)

Alleged Violation:

Investigation: 1203692

Comment Date: 11/04/2014

Failed to provide access to the chlorine contact basin and flow monitoring equipment. It was noted that a walkway was not provided to access the chlorine contact basin and the flow monitoring equipment. All equipment must be accessible for inspection, maintenance, and operation.

Recommended Corrective Action: Submit documentation that the chlorine contact basin and flow monitoring equipment are accessible for inspection, maintenance, and operation.

ALLEGED VIOLATION(S) NOTED AND RESOLVED

Track No: 552688
30 TAC Chapter 305.125(5)

Alleged Violation:

Investigation: 1203692

Comment Date: 11/04/2014

Failed to properly operate and maintain the facility. Specifically, the chlorine contact basin contained 2.0 feet of sludge in a total water depth of 7.0 feet.

Recommended Corrective Action: The wastewater treatment plant must be operated in a manner which prevents a reduction of capacity in the chlorine contact basin and minimizes the risk of untreated or inadequately treated wastewater from being discharged to the receiving stream. Submit documentation indicating that the sludge has been removed from the chlorine contact basin and disposed of properly.

Resolution: On 10/03/2014, the TCEQ Houston Office received documentation indicating that the sludge has been removed from the chlorine contact basin and disposed of properly.

Track No: 552691**30 TAC Chapter 305.125(1)****Alleged Violation:**

Investigation: 1203692

Comment Date: 11/03/2014

Failed to maintain compliance with the permitted effluent limits. Specifically, the grab sample collected during the investigation was not compliant with the single grab maximum limit of 4.0 mg/L for total chlorine residual. The result of the total chlorine residual analysis was 7.89 mg/L.

Recommended Corrective Action: Compliance with the permitted effluent limits must be maintained. Submit documentation describing the action taken to prevent the recurrence of total chlorine residual violations.

Resolution: On 11/03/2014, the TCEQ Houston Office received documentation that the permittee is maintaining compliance with the permitted effluent limits for total chlorine residual.

Track No: 552757**30 TAC Chapter 319.7(a)****30 TAC Chapter 319.7(c)****Alleged Violation:**

Investigation: 1203692

Comment Date: 11/04/2014

Failed to ensure proper preservation of effluent samples. Specifically, the thermometer utilized in the refrigerated composite sampler was not a National Institute of Standards and Technology (NIST) -traceable thermometer that had been calibrated in the previous 12 months, as required. In addition, a temperature log was not maintained for the refrigerated composite sampler.

Recommended Corrective Action: To ensure proper preservation of effluent samples, the thermometer must be annually periodically checked against a precision thermometer certified by the NIST. Submit documentation indicating that an acceptable thermometer is being used in the refrigerated composite sampler. In addition, submit a copy of the temperature log for the refrigerated composite sampler.

Resolution: On 10/03/2014, the TCEQ Houston Office received documentation that the thermometer for the refrigerated composite sampler was calibrated and that a temperature log is being maintained.

Lynne B. Shaw, Esq., P.E., Chairman
Toby Baker, Commissioner
John C. Boyd, Commissioner
Richard A. Hyde, P.E., Executive Director

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

May 5, 2015

**CERTIFIED MAIL 7010 1870 0003 4949 4847
RETURN RECEIPT REQUESTED**

Mr. Robert Laughman, President
Aqua Utilities, Inc.
2211 Louetta Road
Spring, Texas 77388

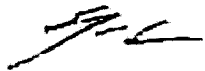
Re: Additional Documentation Needed for:
Aqua Utilities, Inc. Veranda Wastewater Treatment Plant, 5601 FM 565, Baytown,
Chambers County, Texas
TPDES Permit No. 11449-001, EPA ID No. TX0066656

Dear Mr. Laughman:

The Texas Commission on Environmental Quality (TCEQ) Houston Region Office has received the compliance documentation that you submitted April 15, 2015 for the two alleged violations noted during the investigation of the above-referenced facility conducted on September 17, 2014. However, information is still needed for the alleged violations listed in the enclosed summary. Please submit to our office by June 5, 2015, a written description of corrective action taken and the required compliance documentation demonstrating that the alleged violations have been resolved.

The Texas Commission on Environmental Quality appreciates your assistance in this matter and looks forward to receiving your response. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with environmental regulatory requirements. Self-reported violations may be subject to enforcement, including penalties, upon review by the Enforcement Division. If you or members of your staff have any questions, please feel free to contact Ms. Stacy Penkerost, in the Houston Region Office at (713) 767-3667.

Sincerely,



Elizabeth Sears
Team Leader
Water Quality Management
Region 12 Houston

EWS/SSP/ci

Enclosures: Summary of Investigation Findings

cc: Mr. Abel Bautista, 2211 Louetta Road, Spring, Texas 77388

TCEQ Region 12 • 5601 FM 565, Suite 111 • Houston, Texas 77056-1450 • Phone: (713) 767-3667 • Fax: (713) 767-3654

Customer Inquiries: (713) 767-3667 • TDD: (713) 767-3667 • TDD: (713) 767-3667 • TDD: (713) 767-3667

Summary of Investigation Findings

VERANDA

8019 COTTON LAKE RD
COVE, CHAMBERS COUNTY, TX 77521

Additional IDs: W0001144900:
TX0068855

Investigation #

1248120

Investigation Date: 06/04/2015

OUTSTANDING ALLEGED VIOLATION(S)

Track No: 552750 Compliance Due Date: 10/01/2014
10 TAC Chapter 305.125(1)

Alleged Violation:

Investigation: 1203692

Comment Date: 11/04/2014

Failed to provide a readily accessible sampling point. Specifically, a permanently affixed ladder and walkway were not provided to safely access the sampling point. A small, homemade, wooden ladder was propped up against the chlorine contact basin wall near the v-notch weir.

Investigation: 1248120

Comment Date: 05/04/2015

See violation.

On 04/15/2015, the TCEQ Houston Office received documentation that the quote to construct stairs and a walkway to provide a readily accessible sampling point were approved. However, the stairs and walkway have not yet been installed.

Recommended Corrective Action: Submit documentation demonstrating that a readily accessible sampling point has been provided.

Track No: 552753 Compliance Due Date: 10/01/2014
30 TAC Chapter 217.60(b)
30 TAC Chapter 305.125(1)
10 TAC Chapter 305.126(f)

Alleged Violation:

Investigation: 1203692

Comment Date: 11/04/2014

Failed to provide access to the chlorine contact basin and flow monitoring equipment. It was noted that a walkway was not provided to access the chlorine contact basin and the flow monitoring equipment. All equipment must be accessible for inspection, maintenance, and operation.

Investigation: 1248120

Comment Date: 05/04/2015

See violation.

On 04/15/2015, the TCEQ Houston Office received documentation that the quote to construct stairs and a walkway to provide a access to the chlorine contact basin and the flow monitoring equipment were approved. However, the stairs and walkway have not yet been installed.

Recommended Corrective Action: Submit documentation that the chlorine contact basin and flow monitoring equipment are accessible for inspection, maintenance, and operation.



June 10, 2015

Ms. Elizabeth Sears, Team Leader
Water Quality Management, Region 12
Texas Commission on Environmental Quality
5425 Polk Avenue, Suite H
Houston, Texas 77023-1486

Re: Notice of Violation at Veranda WWTP - TPDES Permit No. 11449-001

Dear Ms. Sears:

This is in reference to your letter of March 28, 2013. In your letter you informed us an alleged outstanding violation noted during the inspection of February 1, 2013, at the above referenced facility. As requested, we offer the following:

Track No: 552750 and 552753

Please find attached a couple of pictures showing that stairs and a structure has been installed on the chlorine contact basin allowing easy access to the sampling point and flow monitoring equipment.

Should you have any questions, please call me at 281-651-0174, extension 54119 or contact me by email at ABautista@aquaamerica.com

Sincerely,

A handwritten signature in black ink that reads "ABautista". The signature is written in a cursive, stylized font.

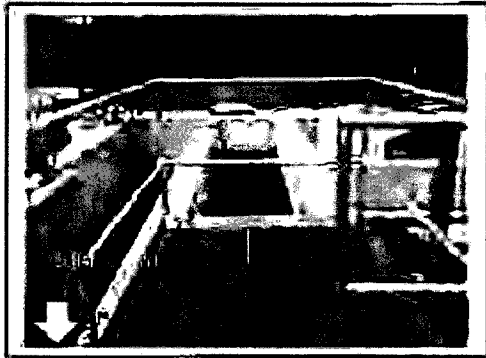
Abel Bautista
Wastewater Compliance Coordinator

Attachment
AMB

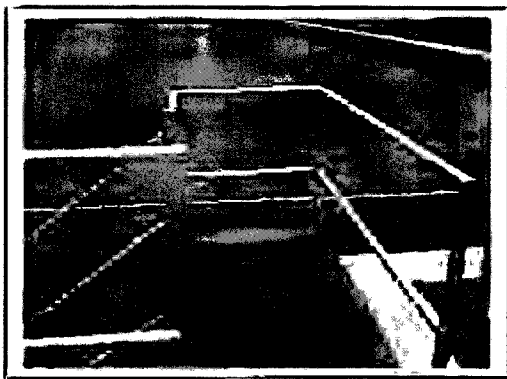
c c Mr. Scot Foltz, Environmental Compliance Manager
Mr. Mike Pickel, Vice President/Chief Environmental Officer, Aqua America, Inc.
Mr. Hans Anderson, Field Supervisor
Mr. Lonnie Foley, Area Manager for SE Texas

Veranda WWTP
TPDES Permit No 11449-001

Structure on top of Chlorine Contact Basin next to V-Notch



Another view towards the ponds



Bryan W. Shaw, Ph.D., P.E., Chairman
Toby Baker, Commissioner
Richard A. Hyde, P.E., Executive Director



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

June 22, 2015

Mr. Robert Laughman, President
Aqua Utilities, Inc.
2211 Louetta Road
Spring, Texas 77388

Re: Notice of Compliance for the Notice of Violation Dated November 5, 2014:
Aqua Utilities, Inc. Veranda Wastewater Treatment Plant, 5601 FM 565, Baytown,
Chambers County, Texas
TPDES Permit No. 13449-001, EPA ID No. TX0066656

Dear Mr. Laughman:

This letter is to inform you that the Texas Commission on Environmental Quality (TCEQ) Houston Region Office has received adequate compliance documentation on June 15, 2015 to resolve the alleged violations documented during the investigation of the above-referenced regulated entity conducted on September 17, 2014. Based on the information submitted, no further action is required concerning this investigation.

The Texas Commission on Environmental Quality appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions, please feel free to contact Ms. Stacy Pentecost in the Houston Region Office at (713) 767-3667.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth Sears".

Elizabeth Sears
Team Leader
Water Quality Management
Region 12 Houston

EWS/SSP/ci

cc: Abel Bautista, Wastewater Compliance Coordinator, 2211 Louetta Road, Spring, TX 77388

ATTACHMENT

12

Person ID	Full Name	Location	Business Card Title	Certification Description	Certification Level	Certification Number
102116	Ernest, Jeffrey M	Spring, TX (West)	Facility Operator III	Wastewater Operator	Class B	WW0018612
102116	Ernest, Jeffrey M	Spring, TX (West)	Facility Operator III	Water Treatment	Class C	WG0002358
102116	Ernest, Jeffrey M	Spring, TX (West)	Facility Operator III	Water Operator	Class C	WW0043871
102264	Foley, Lonnie R	Spring, TX (East)	Area Manager	Wastewater Treatment Operator	Class C	WW0030630
102264	Foley, Lonnie R	Spring, TX (East)	Area Manager	Wastewater Collection	Class III	WD0008804
102264	Foley, Lonnie R	Spring, TX (East)	Area Manager	Water Distribution	Class C	WG0012652
102264	Foley, Lonnie R	Spring, TX (East)	Area Manager	Certification or diploma needed to meet job requirements	Bachelor's Degree	WW0034812
102264	Foley, Lonnie R	Spring, TX (East)	Field Supervisor	Ground Water Treatment Operator	Class B	WG0021941
102264	Foley, Lonnie R	Spring, TX (East)	Field Supervisor	Wastewater Treatment Operator	Class D	WG0013170
102117	Francis, Donald R	Spring, TX	Field Supervisor	Water Operator	Class B	05428355
102117	Francis, Donald R	Spring, TX	Utility Tech II	Commercial Drivers License	Class A	WD0009792
102117	Francis, Donald R	Spring, TX	Utility Tech II	DOT Physical Certification	C	WW0043390
100240	Guajardo, Benito	Spring, TX (West)	Utility Tech II	Water Distribution System Operator - Texas	Operator I	WG0003761
100240	Guajardo, Benito	Spring, TX (West)	Utility Tech II	Water Operator	Class C	WG0003761
100240	Guajardo, Benito	Spring, TX (West)	Utility Tech II	Wastewater Collection	Class C	WW0019790
100240	Guajardo, Benito	Spring, TX (West)	Utility Tech II	Water Operator	Class C	WD0010457
100240	Guajardo, Benito	Spring, TX (West)	Utility Tech II	Wastewater Operator	Class C	WW0012566
100242	Hernandez, Antonio	Spring, TX (West)	Facility Operator II	Water Distribution	Class C	WG0008152
100242	Hernandez, Antonio	Spring, TX (West)	Facility Operator II	Wastewater Operator	Class C	WG0008152
100242	Hernandez, Antonio	Spring, TX (West)	Facility Operator II	Water Collections Operator	Class C	WG0008152
102143	Hernandez, Jose M	Spring, TX (West)	Facility Operator II	Ground Water Treatment Operator	Class C	WW0045871
101923	Jackson, Jerry G	Spring, TX (West)	Facility Operator II	Wastewater Operator Texas	Class B	WW0043742
101923	Jackson, Jerry G	Spring, TX (West)	Facility Operator II	Certification or diploma needed to meet job requirements	Class C Ground Water license	WD0010458
101923	Jackson, Jerry G	Spring, TX (West)	Facility Operator II	Wastewater Collection	Operator I	13185265
101923	Jackson, Jerry G	Spring, TX (West)	Facility Operator II	Water Distribution	Class A	WW0049896
80944	Jessemey, Randy C	Spring, TX (East)	Utility Tech II	DOT Physical Certification	Class I	ww0047691
102178	Luna, Blas	Spring, TX (West)	Utility Tech II	Commercial Drivers License	B	wg0014700
102178	Luna, Blas	Spring, TX (West)	Utility Tech II	Wastewater Collection	WG0014700	WW0044936
102178	Luna, Blas	Spring, TX (West)	Utility Tech II	Wastewater Operator	A	WS0004099
80871	McLain, Jason E	Spring, TX (West)	Utility Tech I	Surface Water Operator	B	WW0042966
80871	McLain, Jason E	Spring, TX (West)	Utility Tech I	Ground Water Treatment Operator	C	WW0036042
80932	McNeil, Daron S	Spring, TX (West)	Facility Operator II	Wastewater Treatment Operator	C	WG0011095
80932	McNeil, Daron S	Spring, TX (West)	Facility Operator II	Water Operator	B	WG0013210
80392	Richmond, John W	Spring, TX (South)	Field Supervisor	Ground Water Treatment Operator	Operator C	CI0007343
80392	Richmond, John W	Spring, TX (South)	Field Supervisor	Customer Service Inspector	Class I Wastewater Collection Operator	WW0043381
102249	Rutledge, Amanda E	Spring, TX	Field Supervisor	Wastewater Operator	Operator C	WD0009795
102249	Rutledge, Amanda E	Spring, TX	Field Supervisor	Wastewater Treatment	Operator C	WG0013466
102249	Rutledge, Amanda E	Spring, TX	Field Supervisor	Water Distribution	Operator C	WG0008221
102249	Rutledge, Amanda E	Spring, TX	Field Supervisor	Ground Water Treatment Operator	Class C	CI0004895
102285	Shepard, Jr., Thomas L	Spring, TX (East)	Facility Operator II	Customer Service Inspector	Operator C	
102285	Shepard, Jr., Thomas L	Spring, TX (East)	Facility Operator II	Wastewater Operator	Operator C	
102285	Shepard, Jr., Thomas L	Spring, TX (East)	Facility Operator II	Water Distribution	Operator C	
102285	Shepard, Jr., Thomas L	Spring, TX (East)	Facility Operator II	Ground Water Treatment Operator	Operator C	
101990	Shepard, Thomas L	Spring, TX (West)	Facility Operator II	Wastewater Operator	Class C	
101990	Shepard, Thomas L	Spring, TX (West)	Facility Operator II	Ground Water Treatment Operator	Class C	
101990	Shepard, Thomas L	Spring, TX (West)	Facility Operator II	Customer Service Inspector	Class C	

ATTACHMENT

13

PROJECT INFORMATION - LGI Homes

Pro Forma Assumptions: All costs are based on the Southeast Region per customer costs. This pro forma is for the purpose of identifying our capital improvement plan budget and timeline consistent with Rule 24.105(a)(6), Section 13.244(d)(3) and to demonstrate that there will be no projected operations or maintenance shortages in the first five years.

Project Information Joseph's Cove

Developer: LGI

Location: State TX
 County Chambers

Description of Service Area The proposed water and sewer utility service area is located approximately 4 miles southeast of downtown Mont Belvieu, TX, and is generally bounded on the north by 0.75 mile south of IH10; on the east by 1 mile west of FM 3246; on the south by FM 565; and on the west by Cotton Bayou.

 Approximately 93.49 acres.

Proximity to nearest Aqua System:

Proximity: This project is generally located in Aqua's service area near other systems currently in operation.

Capital:

Capital Discussion: Water supply will be initially provided through one of our Gray system wells with the addition a well in year 3. All Wastewater treatment will be provided through our current Veranda WWTP. Consequently, capital outlays are limited to one well and the distribution/collection system.

Number of Customers:	Start	Year 2 add	Year 3 add	Year 4 add	Year 5 add	Total
Water:	108	108	108	34		358
Wastewater:	108	108	108	34	0	358
Total	216	216	216	68	0	716

Rates:	Current	Aqua	Others
Water			
Base		31.00	
Per		5.01	
Per			
Per			

Average Consumption: 7,000.00

Average Monthly Water Bill:	0.00	66.07
Average Annual Bill:	0.00	792.84
Average Annual Total Revenue W	0.00	283,836.72 At Full Buildout

Wastewater:	63.80
Base	63.80
Per	

Average Consumption:

Average Monthly WW Bill:	63.80
Average Annual Bill:	765.60
Average Annual Total Revenue WW	274,084.80

Combined Pro Forma

		Year 1	Year 2	Year 3	Year 4	Year 5
Capital		(129,600)	945,000	805,000	127,500	0 1,747,900
Total Net Capital Spend		(129,600)	816,558	1,605,383	1,700,872	1,666,331
Depreciation	3.2%	1,158	(16,176)	(32,011)	(34,541)	(34,541)
Investment at Year End		(128,442)	800,383	1,573,372	1,666,331	1,631,791
Initial Customer Count			216	432	648	716
Growth in Customers		216	216	216	68	0
Total Customers		216	432	648	716	716
Customer Charge	48.06	94.80	94.80	94.80	94.80	94.80
Rate per 1000 Gallons	4.05	5.01	5.01	5.01	5.01	5.01
Rate per 20,000 Gallons	5.80					
Average Monthly Billing per Customer	6,593	127.83	127.83	127.83	127.83	127.83
Monthly Expected per customer billing		14,026	28,052	42,078	46,493	46,493
Total Annual Billing		168,312	336,623	504,935	557,922	557,922
Revenue		168,312	336,623	504,935	557,922	557,922
Expenses:						
Operational		(69,896)	(143,986)	(222,458)	(253,177)	(260,772)
Depreciation		1,158	(16,176)	(32,011)	(34,541)	(34,541)
Amortization						
Taxes other than income		(17,183)	(38,007)	(58,720)	(66,829)	(68,834)
Operating Income		82,391	138,455	191,745	203,375	193,775
Interest on LT Debt	5.1%	(1,515)	20,822	40,937	43,372	42,491
	29,367.02					
Income tax Fed		29,367	41,171	52,783	56,001	52,949
Income tax state		1,871	2,623	3,363	3,568	3,374
Net Income		52,668	73,838	94,662	100,434	94,961
Inflation Rate for Costs from base yr	1.03		1.03	1.06	1.09	1.13

Water Pro Forma

		COMBINED PRO FORMA				
Capital per Customer		(539)	1,206	2,391	2,232	2,187
		Year 1	Year 2	Year 3	Year 4	Year 5
Capital		(59,400)	324,000	529,600	40,800	0
Total Net Capital Spend		(59,400)	265,758	790,199	815,512	799,229
Depreciation	2.0%	1,158	(5,160)	(15,487)	(16,283)	(16,283)
Investment at Year End		(58,242)	260,599	774,712	799,229	782,947
Initial Customer Count		0	108	216	324	358
Growth in Customers		108	108	108	34	0
Total Customers		108	216	324	358	358
Customer Charge	31.00	31.00	31.00	31.00	31.00	31.00
Rate per 1000 Gallons	5.01	5.01	5.01	5.01	5.01	5.01
Average Gallon Charge per						
Average Monthly Billing per Customer	7,000	66.07	66.07	66.07	66.07	66.07
Monthly Expected per customer billing		7,136	14,271	21,407	23,653	23,653
Total Annual Billing		85,627	171,253	256,880	283,837	283,837
Revenue		85,627	171,253	256,880	283,837	283,837
Annual Per customer		792.84	792.84	792.84	792.84	792.84
Expenses:						
Operational		(27,606)	(56,869)	(87,863)	(99,995)	(102,995)
Depreciation		1,158	(5,160)	(15,487)	(16,283)	(16,283)
Amortization						
Taxes other than income	159.10	(17,183)	(35,396)	(54,687)	(62,239)	(64,106)
Operating Income		41,996	73,829	98,844	105,320	100,453
Interest on LT Debt	5.1%	(1,515)	6,777	20,150	20,796	20,380
Income tax Fed	35.00%	15,229	23,468	27,543	29,584	28,026
Income tax state	2.23%	970	1,495	1,755	1,885	1,786
Net Income		27,312	42,088	49,396	53,056	50,262
Inflation Rate for Costs from base yr	1.03		1.03	1.06	1.09	1.13

Sewer Pro Forma

		COMBINED PRO FORMA				
		(650)	2,499	2,465	2,422	2,371
		Year 1	Year 2	Year 3	Year 4	Year 5
Capital		(70,200)	621,000	275,400	86,700	0
Total Net Capital Spend		(70,200)	550,800	815,184	885,360	867,102
Depreciation	2.0%		(11,016)	(16,524)	(18,258)	(18,258)
Investment at Year End		(70,200)	539,784	798,660	867,102	848,844
Initial Customer Count	108		108	216	324	358
Growth in Customers		108	108	108	34	0
Total Customers		108	216	324	358	358
Customer Charge	63.80	63.80	63.80	63.80	63.80	63.80
District Minimum Charge						
Average Monthly Billing per Customer	0	63.80	63.80	63.80	63.80	63.80
Monthly Expected per customer billing		6,890	13,781	20,671	22,840	22,840
Total Annual Billing		82,685	165,370	248,054	274,085	274,085
Revenue		82,685	165,370	248,054	274,085	274,085
Expenses:						
Operational		(42,290)	(87,117)	(134,596)	(153,182)	(157,777)
Depreciation		0	(11,016)	(16,524)	(18,258)	(18,258)
Amortization						
Taxes other than income	11.73		(2,611)	(4,033)	(4,590)	(4,728)
Operating Income		40,395	64,626	92,901	98,055	93,322
Interest on LT Debt	5.1%		14,045	20,787	22,577	22,111
Income tax Fed	35.00%	14,138	17,703	25,240	26,417	24,924
Income tax state	2.23%	901	1,128	1,608	1,683	1,588
Net Income		25,356	31,749	45,266	47,378	44,699
Inflation Rate for Costs from base yr	1.03	1	1.03	1.06	1.09	1.13

Water Capital

COMBINED PRO FORMA

Distribution system cost	644,400					
Number of customers per year	108	108	108	34	0	358
	1,800					
	Year 1	Year 2	Year 3	Year 4	Year 5	
Tap Fee less Meter cost as CIAC	(59,400)	(64,800)	(64,800)	(20,400)	0	(209,400)
Well			250,000			
Distribution system cost paid to Developer	0	388,800	194,400	61,200	0	644,400
Plant			150,000			

	(59,400)	324,000	529,600	40,800	0	835,000
						2,332 Per customer total cost

Feet per home	80	68 Badger Meter
Homes	358	27 Meter Box plus lid
	28,640	55 ERT
	2	50 Labor
	14,320	200 Meter and install
\$ per foot to install	45	
	644,400	

Sewer Capital

COMBINED PRO FORMA									
Collection system cost	1,145,600								
Number of customers per year	108	108	108	34	0	358			
	3,200						3,200	64%	
	Year 1	Year 2	Year 3	Year 4	Year 5		1,800	36%	
Treatment Plant							5,000	5,000	
Site cost									
Tap Fee as CIAC	(70,200)	(70,200)	(70,200)	(22,100)	0	(232,700)	Plant cost		
Collection system cost paid to Developer		691,200	345,600	108,800	0	1,145,600	8 \$ per gal		
							250 Gal per home		
							358 Homes		
							716,000		
<hr/>									
	(70,200)	621,000	275,400	86,700	0	912,900	835,000	Total Invest	1,747,900
						2,550		Total cost per customer	
						2,332		Water	
						4,882		W and WW per customer	
						1,145,600		Total WW Reimb	
						644,400		Total W Reimb	
						1,790,000		Total Reimb	
						5,000		per connection	
						(232,700)		WW Tap	
						(209,400)		W Tap	
						(442,100)		Total Tap	

ATTACHMENT

14

WATER UTILITY TARIFF FOR Southeast Region

Aqua Texas, Inc., Aqua Utilities, Inc.

Aqua Development, Inc. dba Aqua Texas -Southeast
(Utility Name)

1106 Clayton Lane, Suite 400W
(Business Address)

Austin, Texas 78723
(City, State, Zip Code)

(512) 990-4400
(Area Code/Telephone)

This tariff is effective for utility operations under the following Certificate of Convenience and Necessity:

11157, 12902 and 13203

This tariff is effective in the following counties:

Brazoria, Chambers, Fort Bend, Grimes, Harris, Jefferson, Liberty, Montgomery, Polk, San Jacinto, Trinity, Wharton

See attached Table – Southeast Region

The following is a list of the cities where Aqua Texas – Southeast provides service:

City of Cut and Shoot, City of Dayton, City of Houston, City of Pearland, City of Port Arthur & City of Weston Lakes

The rates set or approved by the city for the systems entirely within its corporate boundary are not presented in this tariff. Those rates are not under the original jurisdiction of the TCEQ and will have to be obtained from the city or utility. This tariff applies to outside city customers of systems that provide service inside and outside of a city's corporate boundary.

This tariff is effective in the following subdivisions and public water systems:

See attached Table – Southeast Region

TABLE OF CONTENTS

The above utility lists the following sections of its tariff (if additional pages are needed for a section, all pages should be numbered consecutively):

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APPENDIX A -- SAMPLE SERVICE AGREEMENT	
APPENDIX B -- APPLICATION FOR SERVICE	

This tariff is effective for the following systems, subdivisions, and areas:

PWS #	TCEQ System Name	SUBDIVISION/ AREA SERVED	COUNTY	RATE REGION
0200024	Wagon Wheel Estates Water System	Cas Con Acres Richland Hills Subdivision Wagon Wheel Estates	Brazoria	SE Region
0200617	Palm Crest	Palm Crest	Brazoria	SE Region
0360096	Plantation On Cotton Bayou	Plantation on Cotton Bayou	Chambers	SE Region
0790261	Niagra Public Water Supply	Niagra Subdivision Astro Service Area	Fort Bend	SE Region
0790385	Fulbrook Subdivision Water Plant	Fulbrook Subdivision	Fort Bend	SE Region
0790389	Shadow Grove Estates	Shadow Grove Estates	Fort Bend	SE Region
0790396	Rosemeadows III	Rosemeadows III	Fort Bend	SE Region
0790405	Riverwood Forest	Riverwood Forest	Fort Bend	SE Region
0790423	Lakes Of Mission Grove	Lakes of Mission Grove	Fort Bend	SE Region
0930042	West Magnolia Forest	West Magnolia Forest	Grimes	SE Region
1010068	Industrial Utilities Service	Jacintoport Industrial Park	Harris	SE Region
1010129	Glen Forest Estates	Glen Forest Estates	Harris	SE Region
1010254	Cypress Place	Cypress Place	Harris	SE Region
1010288	Mobile Home Estates	Mobile Home Estates	Harris	SE Region
1010307	Redwood Estates Mobile Home Park	Green River Estates Redwood Estates Mobile Home Park	Harris	SE Region
1010532	Candlelight Hills Subdivision	Candlelight Hills Subdivision	Harris	SE Region
1010535*	Pine Trails Utility	Pine Trails Subdivision	Harris	SE Region
1010622	Westgate Subdivision	Westgate Subdivision	Harris	SE Region
1010809	Bammel Oaks Estates 1	Bammel Oaks Estates Section 1	Harris	SE Region
1010810	Bammel Oaks Estates 2	Bammel Oaks Estates Section 2	Harris	SE Region
1010915	North Woods Estates	North Woods Estates	Harris	SE Region
1010947	Cricket Hill Estates	Cricket Hill Estates	Harris	SE Region

TEXAS COMM. ON ENVIRONMENTAL QUALITY
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APPROVED TARIFF BY *SICA*

PWS #	TCEQ System Name	SUBDIVISION/ AREA SERVED	COUNTY	RATE REGION
1011014	Brittmoore Utility	Blazer Business Park Tanner Business Park Hahls Suburban Farms Harcourt Farms Hilltop Acres Independence Farms Jersey Acres Perimeter Park Petropark & PAR	Harris	SE Region
1011084	Boudreaux Gardens	Boudreaux Gardens	Harris	SE Region
1011510	Marks Glen Subdivision	Marks Glen Subdivision	Harris	SE Region
1011536	Kitzwood Subdivision	Kitzwood Subdivision	Harris	SE Region
1011633	Oak Manor	Oak Manor J&W	Harris	SE Region
1011647	Creekside Estates South	Creekside Estates South North Pines MHP	Harris	SE Region
1011651	Cypress Fields Subdivision	Cypress Fields Subdivision	Harris	SE Region
1011687	Atascocita Acres Subd.	Atascocita Acres Subdivision	Harris	SE Region
1011803	Oakwood Village Mobile Home Subdivision	Oakwood Village Mobile Home Subdivision	Harris	SE Region
1011860	Berry Hill Estates	Berry Hill Estates	Harris	SE Region
1011861	Rolling Oaks	Rolling Oaks	Harris	SE Region
1011865	Tasfield	Tasfield	Harris	SE Region
1011955	Peek Road Utilities	Peek Road Mobile Home Park (f/k/a Katy Estates)	Harris	SE Region
1012806	Alton Theiss Subdivision	Alton Theiss Subdivision	Harris	SE Region
1013041	Park Forest Water System	Park Forest Subdivision Secret Forest Subdivision	Harris	SE Region
1013050	Lakes Of Rosehill Water System	Lakes of Rosehill Mills Tract	Harris	SE Region
1013089	Heron Lakes Estates	Heron Lakes Estates Windfern Windfern Trace	Harris	SE Region
1013103	Stable Gates	Stable Gate(s)	Harris	SE Region
1013127	Fairway Crossing	Fairway Crossing	Harris	SE Region
1013144	Classic Pines Subdivision	Classic Pines Subdivision (f/ka Northbelt Forest II)	Harris	SE Region
1013153	Imperial Valley MHS	Imperial Valley MHS	Harris	SE Region
1013159	Hunters Village Subdivision	Hunters Village Subdivision	Harris	SE Region
1013187	Summer Lake Ranch	Summer Lake Ranch	Harris	SE Region
1013189	Country Club Green	Country Club Green	Harris	SE Region

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PWS #	TCEQ System Name	SUBDIVISION/ AREA SERVED	COUNTY	RATE REGION
1013195	Walraven Subdivision	Walraven Subdivision	Harris	SE Region
1013262	Estates Of Willow Creek	Estates of Willow Creek	Harris	SE Region
1013296	Cypress Creek Ranch	Cypress Creek Ranch	Harris	SE Region
1230037	Country Side Estates	Beauxart Gardens Cloverdale Addition Country Side Estates Shamrock Acres	Jefferson	SE Region
1460102	Cedar Estates	Cedar Estates Subdivision	Liberty	SE Region
1460115	South Dayton Oaks	South Dayton Oaks (former Champion Water Service Area)	Liberty	SE Region
1460136	Dayton Oaks Estate	Dayton Oaks Estates (former Champion Water Service Area)	Liberty	SE Region
1460141	Dayton Creek Water System	Dayton Creek (former Champion Water Service Area)	Liberty	SE Region
1700096	Crystal Forest Subdivision	Crystal Forest Subdivision	Montgomery	SE Region
1700128	Walnut Springs	Fawnwood Walnut Springs	Montgomery	SE Region
1700129	Dogwood Hills	Dogwood Hills	Montgomery	SE Region
1700134	Lake Conroe Forest Subdivision	Forest Water & Sewer Service Area Lake Conroe Forest Subdivision Lake Conroe Development Tejas Creek	Montgomery	SE Region
1700201	Westwood I & II	Westwood I & II	Montgomery	SE Region
1700216	Oakwood Acres	Oakwood Acres	Montgomery	SE Region
1700264	Deerwood Subdivision	Deerwood Subdivision	Montgomery	SE Region
1700279	Carriage Hills	Carriage Hills	Montgomery	SE Region
1700287	Turtle Creek	Turtle Creek Subdivision	Montgomery	SE Region
1700321	Wilshire Subdivision	Wilshire Subdivision	Montgomery	SE Region
1700324	Huntington Estates	Huntington Estates	Montgomery	SE Region

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APPROVED TARIFF BY *2/1/12*

PWS #	TCEQ System Name	SUBDIVISION/ AREA SERVED	COUNTY	RATE REGION
1700437	Clear Creek Forest Section 12	Clear Creek Forest Section 12	Montgomery	SE Region
1700529	Lake Creek Forest	Lake Creek Forest	Montgomery	SE Region
1700543	Lake Conroe Village	Lake Conroe Village	Montgomery	SE Region
1700555	Cimarron Country	Cimarron County	Montgomery	SE Region
1700601	Brushy Creek Utility	Brushy Creek	Montgomery	SE Region
1700641	Timberloch Estates	Timberloch Estates	Montgomery	SE Region
1700651	Indigo Ranch	Indigo Ranch	Montgomery	SE Region
1700657	Woodland Ranch	Woodland Ranch	Montgomery	SE Region
1700665	Greenfield Forest	Greenfield Forest	Montgomery	SE Region
1700666	Old Egypt Subdivision	Old Egypt Subdivision	Montgomery	SE Region
1700670	White Oak Ranch Section One	White Oak Ranch	Montgomery	SE Region
1700702	Estates Of Legends Ranch	Estates of Legends Ranch Elan Tract	Montgomery	SE Region
1870155	Cedar Point	Cedar Point	Polk	SE Region
1870156	Lake Livingston Village Water Utility	Lake Livingston Village	Polk	SE Region
2040038	Camilla Twin Harbor	Camilla Twin Harbor	San Jacinto	SE Region
2280031	Port Adventure	Port Adventure	Trinity	SE Region
2410010	Pyssens Live Oaks Estates Subdivision	Pyssens Live Oaks Estates Subdivision	Wharton	SE Region

Notes:

****Pine Trails (PWS ID 1010535) has separate rates based on a separate settlement agreement effective December 1, 2011.***

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>
5/8" x 3/4"	\$31.00 (Includes 0 gallons)
1"	\$87.50
1 1/2"	\$175.00
2"	\$280.00
3"	\$560.00
4"	\$875.00
6"	\$1,750.00
8"	\$2,800.00
10"	\$4,025.00
12"	\$8,750.00

Monthly minimum charge for any water meter size larger than 12" meter will be calculated using American Water Works Association approved meter equivalency factors.

Charges per 1,000 gallons used:

Gallonge Charge: \$3.70

Regional Pass through Gallonge Charge: \$1.3111

The calculation for the regional pass through gallonge charge must comply with the formula set out in Exhibit A of the settlement agreement entered into by all the parties.

REGULATORY ASSESSMENT.....1.0%
TCEQ RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL.

FORM OF PAYMENT: The utility will accept the following forms of payment:

Cash X (if in person), Check X, Money Order X, Credit Card____, Other (specify)____
THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS.

Section 1.02 - Miscellaneous Fees

TAP FEE.....\$750.00
THE TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 5/8" x 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED AS LISTED ON THIS TARIFF.

TAP FEE (Unique costs).....Actual Cost
FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE A SUBDIVISION IS A UNIQUE COST. UNIQUE COSTS WILL BE DETERMINED ON A CASE-BY-CASE BASIS.

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SECTION 1.0 -- RATE SCHEDULE (Continued)

TAP FEE (Large meter) Actual Cost
THIS TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METERS LARGER THAN STANDARDS 5/8" x 3/4" METERS. UNIQUE COSTS, SUCH AS ROAD BORES, WILL BE CHARGED IN ADDITION TO THIS TAP FEE AT THEIR ACTUAL COST OF INSTALLATION.

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- a) Non-payment of bill (Maximum \$25.00)..... \$25.00
- b) Customer's request that service be disconnected..... \$75.00

TRANSFER FEE \$50.00
THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED

LATE CHARGE 10%
TCEQ RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE \$25.00
RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

CUSTOMER DEPOSIT - RESIDENTIAL \$50.00

CUSTOMER DEPOSITS - COMMERCIAL OR NON-RESIDENTIAL 1/6TH OF ESTIMATED ANNUAL BILL.

METER TEST FEE \$25.00
THIS FEE, WHICH SHOULD REFLECT THE UTILITY'S COST, MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY. THE FEE MAY NOT EXCEED \$25.

METER SERVICE RELOCATION FEE (Customer's Request) Actual Cost
THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE RELOCATED.

STANDARD METER INSTALLATION FEE..... \$150.00
TO BE CHARGE WHEN UNMETERED SERVICE EXISTS ON THE SYSTEM THAT SHOULD BE METERED TO BE IN COMPLIANCE WITH THE UTILITY'S TARIFF BUT THE CONVERSION OF THE SERVICE WOULD NOT REQUIRE A FULL TAP AND ALL OF ITS COSTS. THIS FEE WILL BE A SHARING OF COSTS BETWEEN THE CUSTOMER AND THE UTILITY. THE CUSTOMER MAY HAVE THE OPTION OF PAYING THE FEE OVER NO MORE THAN THREE (3) MONTHS.

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SECTION 1.0 -- RATE SCHEDULE (Continued)

CUSTOMER SERVICE INSPECTION FEE.....\$100.00

SERVICE APPLICANTS MAY CHOOSE TO HAVE CUSTOMER SERVICE INSPECTIONS REQUIRED BY TCEQ RULE 290.46(J) PERFORMED BY ANY STATE-LICENSED INSPECTOR OF THEIR CHOICE. UNLESS THE SERVICE APPLICANT CHOOSES TO ARRANGE FOR AND PAY FOR THE INSPECTION INDEPENDENTLY, THE UTILITY MAY CHARGE SERVICE APPLICANTS THE CUSTOMER SERVICE INSPECTION FEE AT THE TIME THEY APPLY FOR SERVICE. THE UTILITY MAY USE LICENSED UTILITY EMPLOYEES OR MAY HAVE THE INSPECTION PERFORMED BY A LICENSED THIRD PARTY CONTRACTOR.

ILLEGAL RECONNECTION, LOCK REMOVAL OR DAMAGE FEE.....\$85.00

IN ORDER TO REIMBURSE THE UTILITY WITHOUT BURDENING OTHER CUSTOMERS WITH HIGHER RATES FOR THE ADDITIONAL COST OF SERVICE TRIPS TO DISCONNECT A CUSTOMER/ACCOUNT HOLDER WHO HAS BEEN DISCONNECTED FOR NONPAYMENT AND TO PAY FOR THE COST OF BROKEN OR CUT LOCKS AND SERVICE TIME, THIS FEE SHALL BE ASSESSED TO THE ACCOUNT HOLDER OF ANY DELINQUENT ACCOUNT THAT HAS BEEN DISCONNECTED FOR NONPAYMENT BY VALVING OFF, LOCKING OR REMOVING THE METER WHEN SERVICE TO THE PERMISES IS SUBSEQUENTLY RECONNECTED BY NON-UTILITY PERSONNEL BY CUTTING OR REMOVING THE LOCK, REOPENING THE VALVE, OR REMOVING OR BYPASSING THE METER WITHOUT AUTHORIZATION BY THE UTILITY. THIS FEE MAY BE CHARGED EACH TIME AN EVENT OCCURS AND SERVICE WILL NOT BE RECONNECTED UNTIL THIS FEE IS PAID IN ADDITION TO ANY OTHER BALANCES AND RECONNECT FEES. THIS FEE SHALL NOT BE CHARGED IF A FEE FOR A DAMAGED METER IS CHARGED OR IF THE ACCOUNT HOLDER OR HIS/HER REPRESENTATIVE INFORMS THE UTILITY WITHIN 24 HOURS AFTER DISCOVERING THAT SERVICE HAS BEEN RESTORED WITHOUT AUTHORIZATION OF THE UTILITY: (1) THAT SERVICE WAS RECONNECTED WITHOUT THE ACCOUNT HOLDER'S PERMISSION; AND (2) THE ACCOUNT HOLDER AGREES TO PAY FOR ALL WATER USED.

DAMAGED METER AND APPURTENANCES FEEActual Cost

THIS FEE SHALL BE ASSESSED TO THE ACCOUNT HOLDER OF ANY DELINQUENT ACCOUNT THAT HAS BEEN DISCONNECTED FOR NON-PAYMENT BY VALVING OFF OR LOCKING THE METER WHEN THE METER AND/OR METER APPURTENANCES SUCH AS AN AMR UNIT OR CURB STOP ARE DAMAGED IN ORDER TO RESTORE WATER SERVICE TO THE ACCOUNT HOLDER'S ORIGINAL PLACE OF SERVICE REQUIRING THE UTILITY TO REPAIR OR REPLACE THEM. THE ACCOUNT HOLDER SHALL BE CHARGED THE FULL COST OF REPAIRING AND/OR REPLACING ALL DAMAGED PARTS AS THE UTILITY DEEMS NECESSARY, INCLUDING LABOR AND VEHICLE COSTS. THIS WILL INCLUDE REPLACEMENT OF METERS THAT HAVE HAD THEIR LOCKING EYES BROKEN OFF THE FLANGES.

GOVERNMENTAL TESTING, INSPECTION, AND COSTS SURCHARGE:

WHEN AUTHORIZED IN WRITING BY TCEQ AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. [30 TAC 291.21(K)(2)]

LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SECTION 3.0--EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE.

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SECTION 1.0 -- RATE SCHEDULE (Continued)

REGIONAL TEMPORARY WATER RATE:

UNLESS OTHERWISE SUPERSEDED BY TCEQ ORDER OR RULE, IF THE UTILITY IS ORDERED BY A COURT OR GOVERNMENTAL BODY OF COMPETENT JURISDICTION TO REDUCE ITS PUMPAGE, PRODUCTION OR WATER SALES, AQUA TEXAS SHALL BE AUTHORIZED TO INCREASE ITS APPROVED LINE ITEM CHARGES PER 1,000 GALLONS USED (GALLONAGE CHARGE & REGIONAL PASS-THROUGH GALLONAGE CHARGE) BY THE AMOUNT OF THE REGIONAL TEMPORARY RATE INCREASE ("RTWR") CALCULATED ACCORDING TO THE FORMULA:


$$RTWR = (((PRR)(CGC)(R))/(1-R))*((APV)/(RPV))$$

Where:

- RTWR = Regional Temporary Water Rate increase per 1,000 gallons
- CGC = current total volume charge per 1,000 gallons used (Gallorage Charge + Regional Pass-Through gallorage charge)
- R = water use reduction expressed as a decimal fraction (the pumping restriction)
- PRR = percentage of revenues to be recovered expressed as a decimal fraction, for this tariff PRR shall equal 0.5.
- APV = Annual pumped and/or purchased volume from the most recent rate application for the system or systems where the temporary restrictions are imposed; or the most recent 12 months if more than 3 years have passed since the most recent rate application was filed; and
- RPV = Annual pumped and purchased volume for Region from the most recent rate application; or the most recent 12 months if more than 3 years have passed since the most recent rate application was filed

To implement the Regional Temporary Water Rate, Aqua Texas must comply with all notice and other requirements of 30 T.A.C. 291.21(l).

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SECTION 1.0 -- RATE SCHEDULE (Continued)

REGIONAL PASS-THROUGH GALLONAGE CHARGE ADJUSTMENT:

INCREASES OR DECREASES IN COSTS, FEES, RATES AND CHARGES IMPOSED BY GOVERNMENTAL ENTITIES, WATER AUTHORITIES OR DISTRICTS HAVING JURISDICTION OVER AQUA TEXAS OR ITS OPERATIONS OR BY NON-AFFILIATED THIRD PARTY WATER SUPPLIERS OR WATER RIGHTS HOLDERS SELLING WATER OR WATER RIGHTS TO AQUA TEXAS SHALL BE PASSED THROUGH ON A REGIONAL BASIS AS A LINE ITEM REGIONAL PASS-THROUGH GALLONAGE CHARGE OR AN ADJUSTMENT TO THE EXISTING REGIONAL PASS-THROUGH GALLONAGE CHARGE USING THE FOLLOWING FORMULA:

$$\text{NRPTGC} = \text{ORPTGC} (+/-) \text{CRPTGC}$$

Where:

NRPTGC = New Regional Pass-Through Gallonage Charge;

ORPTGC = Original Regional Pass-Through Gallonage Charge;

CRPTGC = Change in Regional Pass-Through Gallonage Charge; and

$\text{CRPTGC} = ((\text{NVC} + (\text{VC} * \text{APV})) / (\text{RPV})) / (1 - \text{WL})$ Sum of all changes (all increases or decreases) since the last adjustment in costs, fees, rates and charges divided by the Regional Pumped and Purchased Volume divided by one minus water loss;

APV = Annual Pumped and/or Purchased Volume from the most recent rate application for the system or systems where the changes in costs, fees, rates and charges occurred; or the most recent 12 months if more than 3 years have passed since the most recent rate application was filed;

RPV = Annual Pumped and/or Purchased Volume for Region from the most recent rate application; or the most recent 12 months if more than 3 years have passed since the most recent rate application was filed;

WL = Annual water loss average for Region in most recent rate application not to exceed 0.15; or water loss, not to exceed 0.15, for the most recent 12 months if more than 3 years have passed since the most recent application was filed;

NVC = Annual non-volumetric cost change = annual increases or decreases in costs, fees, rates and charges that are not based on water purchased, pumped and/or billed;

VC = Volumetric cost change = volumetric cost increases or decreases from costs, fees, rates and charges based on water purchased, pumped and/or billed.

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TEXAS COMM. ON ENVIRONMENTAL QUALITY
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APPROVED TARIFF BY SKA

SECTION 1.0 -- RATE SCHEDULE (Continued)

To implement a new Regional Pass-Through Gallonage Charge, Aqua Texas shall take the following actions:

1. Prior to the beginning of the billing period in which the revision takes place, submit written notice to the TCEQ Executive Director with documentation supporting the line item Regional Pass-Through Gallonage Charge adjustment; and
2. Mail notice to affected customers separately at the beginning of the billing period or include written notice to affected customers with the billing sent out at the beginning of the billing period in which the new Regional Pass-Through Gallonage Charge becomes effective. The notice must contain: (a) the effective date of the change, (b) the then-present calculation of the line item Regional Pass-Through Gallonage Charge, (c) the new calculation of the line item Regional Pass-Through Gallonage Charge, and (d) the change in costs, fees, rates or charges to Aqua Texas prompting the adjustment to the line item Regional Pass-Through Gallonage Charge.

The notice will include the following language:

"This tariff change is being implemented in accordance with Aqua Texas' approved Regional Pass-Through Gallonage Charge Adjustment provision to recognize (increases)(decreases) in the (costs), (fees), (rates) and (charges) imposed by (governmental entities), (water authorities) or (districts) (having jurisdiction over Aqua Texas or its operations) or (by non-affiliated third-party) (water suppliers) or (water rights holders) (selling water) or (water rights) to Aqua Texas. The cost of these charges to customers will not exceed the (increased)(decreased) cost of the (costs), (fees), (rates) and (charges) to Aqua Texas."

The process of implementing the Regional Pass-Through Gallonage Charge Adjustment provision and the Executive Director's review of a proposed revision to Aqua Texas' line item Regional Pass-Through Gallonage Charge is an informal proceeding and not a contested case hearing. Only the Commission, the Executive Director, or Aqua Texas may request a hearing on the proposed revision. It shall not be considered a rate case under the Texas Water Code or TCEQ rules, and Texas Water Code § 13.187 shall not apply.

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**Aqua Texas, Inc., Aqua Utilities, Inc. and
Aqua Development, Inc. dba Aqua Texas - Southeast
(Pine Trails Only)**

Water Utility Tariff Page No. 8

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge*!</u>
5/8" x 3/4"	<u>\$31.00</u> (Includes 0 gallons)
1"	<u>\$87.50</u>
1 1/2"	<u>\$175.00</u>
2"	<u>\$280.00</u>
3"	<u>\$560.00</u>
4"	<u>\$875.00</u>
6"	<u>\$1,750.00</u>
8"	<u>\$2,800.00</u>
10"	<u>\$4,025.00</u>
12"	<u>\$8,750.00</u>

Monthly minimum charge for any water meter size larger than 12" meter will be calculated using American Water Works Association approved meter equivalency factors.

***! Pursuant to the separate settlement agreement between Aqua Texas and the ratepayers of Pine Trails CIA:**

2.1 To enhance fire protection for Pine Trails CIA, Aqua Texas agrees to fund a feasibility study to investigate whether the Pine Trails system may be used for fire protection by the Clover Leaf Fire Department. If the study indicates that the Pine Trails system can support additional line pressure, Aqua Texas will install a supplemental booster pump to increase line pressure in the event of fire consistent with the result of the feasibility study. The fire protection feasibility study and booster pump installation will be completed by March 31, 2012, provided that the feasibility report indicates that the Pine Trails system can tolerate additional pressure and that the Clover Leaf Fire Department cooperates with the feasibility study and planned upgrade. Pine Trails CIA understands and acknowledges that Aqua Texas will not replace or upgrade water lines in connection with this attempt to increase water pressure for fire protection. Pine Trails CIA further understands and acknowledges that the Pine Trails system will not be rated for fire protection and that the purpose of this provision is only to serve as a supplement to the normal fire protection offered by the Clover Leaf Fire Department.

2.2 If the feasibility study described in Paragraph 2.1 is not completed and implemented by March 31, 2012 because of reasons within the control of Aqua Texas, the monthly minimum charge set forth in **Exhibit A** shall be reduced by \$3.00 per water connection per month for Pine Trails CIA until such time as Aqua Texas completes and implements the feasibility study. This reduction shall not apply if the feasibility study is completed by March 31, 2012, but the feasibility study determines that it is not feasible to use the Pine Trails system for fire protection within the agreed upon parameters described in Paragraph 2.1.

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SECTION 1.0 -- RATE SCHEDULE (Continued)

Charges per 1,000 gallons used:

Gallonge Charge: \$3.70

Regional Pass through Gallonge Charge: \$1.3111

The calculation for the regional pass through gallonge charge must comply with the formula set out in Exhibit A of the settlement agreement entered into by all the parties.

REGULATORY ASSESSMENT 1.0%
TCEQ RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL.

FORM OF PAYMENT: The utility will accept the following forms of payment:

Cash X (if in person), Check X, Money Order X, Credit Card _____, Other (specify) _____
THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS.

Section 1.02 - Miscellaneous Fees

TAP FEE \$750.00
THE TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 5/8" x 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED AS LISTED ON THIS TARIFF.

TAP FEE (Unique costs) Actual Cost
FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE A SUBDIVISION IS A UNIQUE COST. UNIQUE COSTS WILL BE DETERMINED ON A CASE-BY-CASE BASIS.

TAP FEE (Large meter) Actual Cost
THIS TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METERS LARGER THAN STANDARDS 5/8" x 3/4" METERS. UNIQUE COSTS, SUCH AS ROAD BORES, WILL BE CHARGED IN ADDITION TO THIS TAP FEE AT THEIR ACTUAL COST OF INSTALLATION.

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- a) Non-payment of bill (Maximum \$25.00) \$25.00
- b) Customer's request that service be disconnected \$75.00

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SECTION 1.0 -- RATE SCHEDULE (Continued)

TRANSFER FEE	<u>\$50.00</u>
THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED	
LATE CHARGE	<u>10%</u>
TCEQ RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.	
RETURNED CHECK CHARGE	<u>\$25.00</u>
RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.	
CUSTOMER DEPOSIT - RESIDENTIAL	<u>\$50.00</u>
CUSTOMER DEPOSITS - COMMERCIAL OR NON-RESIDENTIAL 1/6TH OF ESTIMATED ANNUAL BILL.	
METER TEST FEE	<u>\$25.00</u>
THIS FEE, WHICH SHOULD REFLECT THE UTILITY'S COST, MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY. THE FEE MAY NOT EXCEED \$25.	
METER SERVICE RELOCATION FEE (Customer's Request)	<u>Actual Cost</u>
THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE RELOCATED.	
STANDARD METER INSTALLATION FEE	<u>\$150.00</u>
TO BE CHARGED WHEN UNMETERED SERVICE EXISTS ON THE SYSTEM THAT SHOULD BE METERED TO BE IN COMPLIANCE WITH THE UTILITY'S TARIFF BUT THE CONVERSION OF THE SERVICE WOULD NOT REQUIRE A FULL TAP AND ALL OF ITS COSTS. THIS FEE WILL BE A SHARING OF COSTS BETWEEN THE CUSTOMER AND THE UTILITY. THE CUSTOMER MAY HAVE THE OPTION OF PAYING THE FEE OVER NO MORE THAN THREE (3) MONTHS.	
CUSTOMER SERVICE INSPECTION FEE	<u>\$100.00</u>
SERVICE APPLICANTS MAY CHOOSE TO HAVE CUSTOMER SERVICE INSPECTIONS REQUIRED BY TCEQ RULE 290.46(J) PERFORMED BY ANY STATE-LICENSED INSPECTOR OF THEIR CHOICE. UNLESS THE SERVICE APPLICANT CHOOSES TO ARRANGE FOR AND PAY FOR THE INSPECTION INDEPENDENTLY, THE UTILITY MAY CHARGE SERVICE APPLICANTS THE CUSTOMER SERVICE INSPECTION FEE AT THE TIME THEY APPLY FOR SERVICE. THE UTILITY MAY USE LICENSED UTILITY EMPLOYEES OR MAY HAVE THE INSPECTION PERFORMED BY A LICENSED THIRD PARTY CONTRACTOR.	

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APPROVED TARIFF BY 281KA

SECTION 1.0 -- RATE SCHEDULE (Continued)

ILLEGAL RECONNECTION, LOCK REMOVAL OR DAMAGE FEE.....\$85.00

IN ORDER TO REIMBURSE THE UTILITY WITHOUT BURDENING OTHER CUSTOMERS WITH HIGHER RATES FOR THE ADDITIONAL COST OF SERVICE TRIPS TO DISCONNECT A CUSTOMER/ACCOUNT HOLDER WHO HAS BEEN DISCONNECTED FOR NONPAYMENT AND TO PAY FOR THE COST OF BROKEN OR CUT LOCKS AND SERVICE TIME, THIS FEE SHALL BE ASSESSED TO THE ACCOUNT HOLDER OF ANY DELINQUENT ACCOUNT THAT HAS BEEN DISCONNECTED FOR NONPAYMENT BY VALVING OFF, LOCKING OR REMOVING THE METER WHEN SERVICE TO THE PERMISES IS SUBSEQUENTLY RECONNECTED BY NON-UTILITY PERSONNEL BY CUTTING OR REMOVING THE LOCK, REOPENING THE VALVE, OR REMOVING OR BYPASSING THE METER WITHOUT AUTHORIZATION BY THE UTILITY. THIS FEE MAY BE CHARGED EACH TIME AN EVENT OCCURS AND SERVICE WILL NOT BE RECONNECTED UNTIL THIS FEE IS PAID IN ADDITION TO ANY OTHER BALANCES AND RECONNECT FEES. THIS FEE SHALL NOT BE CHARGED IF A FEE FOR A DAMAGED METER IS CHARGED OR IF THE ACCOUNT HOLDER OR HIS/HER REPRESENTATIVE INFORMS THE UTILITY WITHIN 24 HOURS AFTER DISCOVERING THAT SERVICE HAS BEEN RESTORED WITHOUT AUTHORIZATION OF THE UTILITY: (1) THAT SERVICE WAS RECONNECTED WITHOUT THE ACCOUNT HOLDER'S PERMISSION; AND (2) THE ACCOUNT HOLDER AGREES TO PAY FOR ALL WATER USED.

DAMAGED METER AND APPURTENANCES FEE Actual Cost

THIS FEE SHALL BE ASSESSED TO THE ACCOUNT HOLDER OF ANY DELINQUENT ACCOUNT THAT HAS BEEN DISCONNECTED FOR NON-PAYMENT BY VALVING OFF OR LOCKING THE METER WHEN THE METER AND/OR METER APPURTENANCES SUCH AS AN AMR UNIT OR CURB STOP ARE DAMAGED IN ORDER TO RESTORE WATER SERVICE TO THE ACCOUNT HOLDER'S ORIGINAL PLACE OF SERVICE REQUIRING THE UTILITY TO REPAIR OR REPLACE THEM. THE ACCOUNT HOLDER SHALL BE CHARGED THE FULL COST OF REPAIRING AND/OR REPLACING ALL DAMAGED PARTS AS THE UTILITY DEEMS NECESSARY, INCLUDING LABOR AND VEHICLE COSTS. THIS WILL INCLUDE REPLACEMENT OF METERS THAT HAVE HAD THEIR LOCKING EYES BROKEN OFF THE FLANGES.

GOVERNMENTAL TESTING, INSPECTION, AND COSTS SURCHARGE:

WHEN AUTHORIZED IN WRITING BY TCEQ AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. [30 TAC 291.21(K)(2)]

LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SECTION 3.0--EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE.

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SECTION 1.0 -- RATE SCHEDULE (Continued)

REGIONAL TEMPORARY WATER RATE:

UNLESS OTHERWISE SUPERSEDED BY TCEQ ORDER OR RULE, IF THE UTILITY IS ORDERED BY A COURT OR GOVERNMENTAL BODY OF COMPETENT JURISDICTION TO REDUCE ITS PUMPAGE, PRODUCTION OR WATER SALES, AQUA TEXAS SHALL BE AUTHORIZED TO INCREASE ITS APPROVED LINE ITEM CHARGES PER 1,000 GALLONS USED (GALLONAGE CHARGE & REGIONAL PASS-THROUGH GALLONAGE CHARGE) BY THE AMOUNT OF THE REGIONAL TEMPORARY RATE INCREASE ("RTWR") CALCULATED ACCORDING TO THE FORMULA:

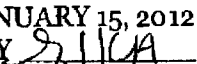
$$RTWR = (((PRR)(CGC)(R))/(1-R))*((APV)/(RPV))$$

Where:

- RTWR = Regional Temporary Water Rate increase per 1,000 gallons
CGC = current total volume charge per 1,000 gallons used
(Gallorage Charge + Regional Pass-Through gallorage charge)
R = water use reduction expressed as a decimal fraction (the pumping restriction)
PRR = percentage of revenues to be recovered expressed as a decimal fraction, for this tariff PRR shall equal 0.5.
APV = Annual pumped and/or purchased volume from the most recent rate application for the system or systems where the temporary restrictions are imposed; or the most recent 12 months if more than 3 years have passed since the most recent rate application was filed; and
RPV = Annual pumped and purchased volume for Region from the most recent rate application; or the most recent 12 months if more than 3 years have passed since the most recent rate application was filed

To implement the Regional Temporary Water Rate, Aqua Texas must comply with all notice and other requirements of 30 T.A.C. 291.21(I).

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SECTION 1.0 -- RATE SCHEDULE (Continued)

REGIONAL PASS-THROUGH GALLONAGE CHARGE ADJUSTMENT:

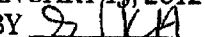
INCREASES OR DECREASES IN COSTS, FEES, RATES AND CHARGES IMPOSED BY GOVERNMENTAL ENTITIES, WATER AUTHORITIES OR DISTRICTS HAVING JURISDICTION OVER AQUA TEXAS OR ITS OPERATIONS OR BY NON-AFFILIATED THIRD PARTY WATER SUPPLIERS OR WATER RIGHTS HOLDERS SELLING WATER OR WATER RIGHTS TO AQUA TEXAS SHALL BE PASSED THROUGH ON A REGIONAL BASIS AS A LINE ITEM REGIONAL PASS-THROUGH GALLONAGE CHARGE OR AN ADJUSTMENT TO THE EXISTING REGIONAL PASS-THROUGH GALLONAGE CHARGE USING THE FOLLOWING FORMULA:

$$\text{NRPTGC} = \text{ORPTGC} (+/-) \text{CRPTGC}$$

Where:

- NRPTGC = New Regional Pass-Through Gallonage Charge;
ORPTGC = Original Regional Pass-Through Gallonage Charge;
CRPTGC = Change in Regional Pass-Through Gallonage Charge; and
 $\text{CRPTGC} = ((\text{NVC} + (\text{VC} * \text{APV})) / (\text{RPV})) / (1 - \text{WL})$ Sum of all changes (all increases or decreases) since the last adjustment in costs, fees, rates and charges divided by the Regional Pumped and Purchased Volume divided by one minus water loss;
APV = Annual Pumped and/or Purchased Volume from the most recent rate application for the system or systems where the changes in costs, fees, rates and charges occurred; or the most recent 12 months if more than 3 years have passed since the most recent rate application was filed;
RPV = Annual Pumped and/or Purchased Volume for Region from the most recent rate application; or the most recent 12 months if more than 3 years have passed since the most recent rate application was filed;
WL = Annual water loss average for Region in most recent rate application not to exceed 0.15; or water loss, not to exceed 0.15, for the most recent 12 months if more than 3 years have passed since the most recent application was filed;
NVC = Annual non-volumetric cost change = annual increases or decreases in costs, fees, rates and charges that are not based on water purchased, pumped and/or billed;
VC = Volumetric cost change = volumetric cost increases or decreases from costs, fees, rates and charges based on water purchased, pumped and/or billed.

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SECTION 1.0 -- RATE SCHEDULE (Continued)

To implement a new Regional Pass-Through Gallonage Charge, Aqua Texas shall take the following actions:

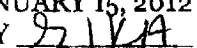
1. Prior to the beginning of the billing period in which the revision takes place, submit written notice to the TCEQ Executive Director with documentation supporting the line item Regional Pass-Through Gallonage Charge adjustment; and
2. Mail notice to affected customers separately at the beginning of the billing period or include written notice to affected customers with the billing sent out at the beginning of the billing period in which the new Regional Pass-Through Gallonage Charge becomes effective. The notice must contain: (a) the effective date of the change, (b) the then-present calculation of the line item Regional Pass-Through Gallonage Charge, (c) the new calculation of the line item Regional Pass-Through Gallonage Charge, and (d) the change in costs, fees, rates or charges to Aqua Texas prompting the adjustment to the line item Regional Pass-Through Gallonage Charge.

The notice will include the following language:

"This tariff change is being implemented in accordance with Aqua Texas' approved Regional Pass-Through Gallonage Charge Adjustment provision to recognize (increases)(decreases) in the (costs), (fees), (rates) and (charges) imposed by (governmental entities), (water authorities) or (districts) (having jurisdiction over Aqua Texas or its operations) or (by non-affiliated third-party) (water suppliers) or (water rights holders) (selling water) or (water rights) to Aqua Texas. The cost of these charges to customers will not exceed the (increased)(decreased) cost of the (costs), (fees), (rates) and (charges) to Aqua Texas."

The process of implementing the Regional Pass-Through Gallonage Charge Adjustment provision and the Executive Director's review of a proposed revision to Aqua Texas' line item Regional Pass-Through Gallonage Charge is an informal proceeding and not a contested case hearing. Only the Commission, the Executive Director, or Aqua Texas may request a hearing on the proposed revision. It shall not be considered a rate case under the Texas Water Code or TCEQ rules, and Texas Water Code § 13.187 shall not apply.

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SECTION 2.0 - SERVICE RULES AND REGULATIONS

Section 2.01 - Texas Commission on Environmental Quality Rules

The utility will have the most current Texas Commission on Environmental Quality (TCEQ) Rules, Chapter 291, Water Rates, available at its office for reference purposes. The Rules and this tariff shall be available for public inspection and reproduction at a reasonable cost. The latest Rules or Commission approved changes to the Rules supersede any rules or requirements in this tariff.

Section 2.02 - Application for and Provision of Water Service

All application for service will be made on the utility's standard application or contract form (attached in the Appendix to this tariff) and will be signed by the applicant before water service is provided by the utility. A separate application or contract will be made for each service location.

After the applicant has met all the requirements, conditions and regulations for service, the utility will install tap, meter and utility cut-off valve and/or take all necessary actions to initiate service. The utility will serve each qualified applicant for service within ten working days unless line extensions or new facilities are required. If construction is required to fill the order and if it cannot be completed within 30 days, the utility will provide the applicant with a written explanation of the construction required and an expected date of service. Notwithstanding any statement in this tariff to the contrary, the utility will serve each qualified applicant for service within the time limits prescribed in 30 TAC 291.85 (a)-(b) as that rule may be amended by the TCEQ.

Where service has previously been provided, service will be reconnected within three working days after the applicant has met the requirements for reconnection.

The customer will be responsible for furnishing and laying the necessary customer service pipe from the meter location to the place of consumption. Customers may be required to install a customer owned cut-off valve on the customer's side of the meter or connection.

Section 2.03 - Refusal of Service

The utility may decline to serve an applicant until the applicant has complied with the regulations of the regulatory agencies (state and municipal regulations) and for the reasons outlined in the TCEQ Rules. In the event that the utility refuses to serve an applicant, the utility will inform the applicant in writing of the basis of its refusal. The utility is also required to inform the applicant a complaint may be filed with the Commission.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

Section 2.04 - Customer Deposits

If a residential applicant cannot establish credit to the satisfaction of the utility, the applicant may be required to pay a deposit as provided for in Section 1.02 of this tariff.

The utility will keep records of the deposit and credit interest in accordance with TCEQ Rules.

Residential applicants 65 years of age or older may not be required to pay deposits unless the applicant has an outstanding account balance with the utility or another water or sewer utility which accrued within the last two years.

Nonresidential applicants who cannot establish credit to the satisfaction of the utility may be required to make a deposit that does not exceed an amount equivalent to one-sixth of the estimated annual billings.

Refund of deposit. - If service is not connected, or after disconnection of service, the utility will promptly refund the customer's deposit plus accrued interest or the balance, if any, in excess of the unpaid bills for service furnished. The utility may refund the deposit at any time prior to termination of utility service but must refund the deposit plus interest for any customer who has paid 18 consecutive billings without being delinquent.

Section 2.05 - Meter Requirements, Readings, and Testing

All water sold by the utility will be billed based on meter measurements. The utility will provide, install, own and maintain meters to measure amounts of water consumed by its customers. One meter is required for each residential, commercial or industrial facility in accordance with the TCEQ Rules.

Service meters will be read at monthly intervals and as nearly as possible on the corresponding day of each monthly meter reading period unless otherwise authorized by the Commission.

Meter Tests. - The utility will, upon the request of a customer, and, if the customer so desires, in his or her presence or in that of his or her authorized representative, make without charge a test of the accuracy of the customer's meter. If the customer asks to observe the test, the test will be made during the utility's normal working hours at a time convenient to the customer. Whenever possible, the test will be made on the customer's premises, but may, at the utility's discretion, be made at the utility's testing facility. If within a period of two years the customer requests a new test, the utility will make the test, but if the meter is found to be within the accuracy standards established by the American Water Works Association, the utility will charge the customer a fee which reflects the cost to test the meter up to a maximum \$25 for a residential customer. Following the completion of any requested test, the utility will promptly advise the customer of the date of removal of the meter, the date of the test, the result of the test, and who made the test.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

Section 2.06 - Billing

Bills from the utility will be mailed monthly unless otherwise authorized by the Commission. The due date of bills for utility service will be at least 21 days from the date of issuance. The postmark on the bill or, if there is no postmark on the bill, the recorded date of mailing by the utility will constitute proof of the date of issuance.

Payment for utility service is delinquent if full payment, including late fees and the regulatory assessment, is not received at the utility or the utility's authorized payment agency by 5:00 p.m. on the due date. If the due date falls on a holiday or weekend, the due date for payment purposes will be the next work day after the due date.

A late penalty of 10% will be charged on bills received after the due date. Customer payments post marked by the due date will not incur a late penalty. The penalty on delinquent bills will not be applied to any balance to which the penalty was applied in a previous billing. The utility must maintain a record of the date of mailing to charge the late penalty.

Each bill will provide all information required by the TCEQ Rules. For each of the systems it operates, the utility will maintain and note on the monthly bill a telephone number (or numbers) which may be reached by a local call by customers. At the utility's option, a toll-free telephone number or the equivalent may be provided.

In the event of a dispute between a customer and a utility regarding any bill for utility service, the utility will conduct an investigation and report the results to the customer. If the dispute is not resolved, the utility will inform the customer that a complaint may be filed with the Commission.

Section 2.07 - Service Disconnection

Utility service may be disconnected if the bill has not been paid in full by the date listed on the termination notice. The termination date must be at least 10 days after the notice is mailed or hand delivered.

The utility is encouraged to offer a deferred payment plan to a customer who cannot pay an outstanding bill in full and is willing to pay the balance in reasonable installments. However, a customer's utility service may be disconnected if a bill has not been paid or a deferred payment agreement entered into within 31 days from the date of issuance of a bill and if proper notice of termination has been given.

Notice of termination must be a separate mailing or hand delivery in accordance with the TCEQ Rules.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

Section 2.08 - Reconnection of Service

Service will be reconnected within 36 hours after the past due bill and any other outstanding charges are paid or correction of the conditions which caused service to be disconnected.

Section 2.09 - Service Interruptions

The utility will make all reasonable efforts to prevent interruptions of service. If interruptions occur, the utility will re-establish service within the shortest possible time. Except for momentary interruptions due to automatic equipment operations, the utility will keep a complete record of all interruptions, both emergency and scheduled and will notify the Commission in writing of any service interruptions affecting the entire system or any major division of the system lasting more than four hours. The notice will explain the cause of the interruptions.

Prorated Bills. - If service is interrupted or seriously impaired for 24 consecutive hours or more, the utility will prorate the monthly base bill in proportion to the time service was not available to reflect this loss of service.

Section 2.10 - Quality of Service

The utility will plan, furnish, and maintain production, treatment, storage, transmission, and distribution facilities of sufficient size and capacity to provide a continuous and adequate supply of water for all reasonable consumer uses. Unless otherwise authorized by the Commission, the utility will maintain facilities as described in the TCEQ Rules or in the TCEQ's "Rules and Regulations for Public Water Systems." The utility will not provide supply for fire prevention, fire flow, or fire fighting services as part of standard retail water service.

Section 2.11 - Customer Complaints and Disputes

If a customer or applicant for service lodges a complaint, the utility will promptly make a suitable investigation and advise the complainant of the results. Service will not be disconnected pending completion of the investigation.

If the complainant is dissatisfied with the utility's response, the utility must advise the complainant that he has recourse through the TCEQ complaint process. Pending resolution of a complaint, the commission may require continuation or restoration of service.

The utility will maintain a record of all complaints which shows the name and address of the complainant, the date and nature of the complaint and the adjustment or disposition thereof, for a period of two years after the final settlement of the complaint.

SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS

This section contains specific utility service rules in addition to the rules previously listed under Section 2.0. It must be reviewed and approved by the Commission and in compliance with TCEQ Rules to be effective.

The utility adopts the administrative rules of the TCEQ, as the same may be amended from time to time, as its company specific service rules and regulations. These rules will be kept on file at the company's offices for customer inspection during regular business hours. In the event of a conflict between the TCEQ's amended rules and the provisions of this tariff, the amended rules shall prevail. Where necessary, any conflicting provision of this tariff shall be deemed to have been superseded by the TCEQ rule in question to the degree that the utility may conduct its lawful business in conformance with all requirements of said rule.

All payments for utility service shall be delivered or mailed to the remittance address on the Utility bill received or paid using any method described on the Utility bill received. Cash payments are only accepted in person at designated payment locations as described in the Utility bill received. If the Utility or its authorized agent fails to receive payment prior to the time of noticed disconnection for non-payment of a delinquent account, service will be terminated as scheduled. Utility service crews shall not be allowed to collect payments on customer accounts in the field.

Payment of an account by any means that has been dishonored and returned by the payor or payee's bank, shall be deemed to be delinquent. All returned payments must be redeemed with cash or valid money order. If a customer has two returned payments within a twelve month period, the customer shall be required to pay a deposit if one has not already been paid.

Customers shall not be allowed to use the utility's cutoff valve on the utility's side of the meter. Existing customers may install cutoff valves on their side of the meter and are encouraged to do so. All new customers must install customer-owned and maintained cutoff valves on their side of the meter.

No water connection from any public drinking water supply system shall be made to any establishment where an actual or potential contamination or system hazard exists without an air gap separation between the drinking water supply and the source of potential contamination. The containment air gap is sometimes impractical and, instead, reliance must be placed on individual "internal" air gaps or mechanical backflow prevention devices.

Under these conditions, additional protection shall be required at the meter in the form of a backflow prevention device (in accordance with AWWA Standards C510 and C511, and AWWA Manual M14) on those establishments handling substances deleterious or hazardous to the public health. The water purveyor need not require backflow protection at the water service entrance if an adequate cross-connection control program is in effect that includes an annual inspection and testing by a certified backflow prevention device tester. It will be the responsibility of the water purveyor to ensure that these requirements are met.

SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS (CONT.)

Customer shall be liable for any damage or injury to utility-owned property or personnel shown to be caused by the customer, his invitees, his agents, his employees, or others directly under his control.

Limitation on Product/Service Liability. - Public water utilities are required to deliver water to the customer's side of the meter or service connection that meets the potability and pressure standards of the TCEQ. The utility will not accept liability for any injury or damage to individuals or their property occurring on the customer's side of the meter when the water delivered meets these state standards. The utility makes no representations or warranties (expressed or implied) that customer's appliances will not be damaged by disruptions of or fluctuations in water service whatever the cause. The utility will not accept liability for injuries or damages to persons or property due to disruption of water service caused by: (1) acts of God, (2) acts of third parties not subject to the control of the utility if the utility has undertaken such preventive measures as are required by TCEQ rules, (3) electrical power failures in water systems not required by TCEQ rule to have auxiliary power supplies, or (4) termination of water service pursuant to the utility's tariff and the TCEQ's rules. The utility is not required by law and does not provide fire prevention, fire flow, or fire fighting services. The utility therefore does not accept liability for fire-related injuries or damages to persons or property caused or aggravated by the availability (or lack thereof) of water or water pressure (or lack thereof) during fire emergencies. The utility will accept liability for any injury or damage to individuals or their property directly caused by defective utility plant (leaking water lines or meters) or the repairs to or construction of the utility's facilities.

If the services of a registered professional engineer are required as a result of an application for service received by the utility for service to that applicant's service extension only, such engineer will be selected by the utility and the applicant, and the applicant shall bear all expenses incurred therein.

If an applicant requires service other than the standard service provided by the utility, such applicant will be required to pay all expenses incurred by the utility in excess of the expenses that would be incurred in providing the standard service and connection. Any applicant who places unique or non-standard service demands on the system may be required to provide contributions in aid of construction (as may be allowed by TCEQ rule) for the actual costs of, any additional facilities required to maintain compliance with the TCEQ minimum design criteria for water production, treatment, pumping storage and transmission.

Any applicant or existing customer required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be entitled to a written explanation of such costs prior to payment and/or commencement of construction. If the applicant or existing customer does not believe that these costs are reasonable or necessary, the applicant or existing customer shall have the right to appeal such costs to the TCEQ or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's or existing customer's property(ies) is located.

SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS (CONT.)

Tap fees may be increased by unique costs not normally incurred as may be permitted by 30 TAC 291.86(a)(1)(C).

The utility adopts the Uniform Plumbing Code pursuant to TCEQ Rule 290.46(I). The piping and other equipment on the premises furnished by the customer will be maintained by the customer at all times in conformity with the requirements of the TCEQ, the Uniform Plumbing Code and with the service rules and regulations of the utility. The customer will bring out his service line to his property line at the point on the customer's property mutually acceptable to the customer and the utility subject to such requirements as may exist by TCEQ rule. No water service smaller than 5/8" will be connected. No pipe or pipe fitting which contains more than 8.0% lead can be used for the installation or repair of plumbing at any connection which provides water for human use. No solder or flux which contains more than 0.2% lead can be used at any connection which provides water for human use.

The utility will have the right of access to the customer's premises at all times reasonable for the purpose of installing, testing, inspecting or repairing water mains or other equipment used in connection with its provision of water service, or for the purpose of removing its property and disconnecting lines, and for all other purposes necessary to the operation of the utility system including inspecting the customer's plumbing for code, plumbing or tariff violations. The customer shall allow the utility and its personnel access to the customer's property to conduct any water quality tests or inspections required by law. Unless necessary to respond to equipment failure, leak or other condition creating an immediate threat to public health and safety or the continued provision of adequate utility service to others, such entry upon the customer's property shall be during normal business hours. The customer may require any utility representative, employee, contractor, or agent seeking to make such entry identify themselves, their affiliation with the utility, and the purpose of their entry.

Threats to or assaults upon utility personnel shall result in criminal prosecution.

Except in cases where the customer has a contract with the utility for reserve or auxiliary service, no other water service will be used by the customer on the same installation in conjunction with the utility's service, either by means of a cross-over valve or any other connection. Customer shall not connect, or allow any other person or party to connect, onto any water lines on his premises. Two places shall not be permitted to be supplied with one service pipe where there is a water main abutting the premises.

No connection shall be allowed which allows water to be returned to the public drinking water supply. No backflow prevention device shall be permitted to be installed in the customer's plumbing without notice to and written permission from the utility. Any backflow prevention devices so installed shall be inspected annually by a licensed backflow prevention device inspector or appropriately licensed plumber and a written report of such inspection delivered to the utility.

SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS (CONT.)

No application, agreement or contract for service may be assigned or transferred without the written consent of the utility. It is agreed and understood that any and all meters, water lines and other equipment furnished by the utility (excepting the customer's individual service lines from the point of connection to customer's structures on customer's premises) are and shall remain the sole property of the utility, and nothing contained herein or in a contract/application for service shall be construed to reflect a sale or transfer of any such meters, lines or equipment to any customer. All tap and extension charges shall be for the privilege of connecting to said water lines and for installation, not purchase, of said meters and lines.

Applicants for service at new consuming facilities or facilities which have undergone extensive plumbing modifications are required to deliver to the utility a certificate that their facilities have been inspected by a state-licensed inspector and that they are in compliance with all applicable plumbing codes and are free of potential hazards to public health and safety. Service may be denied until the certificate is received or any identified violations or hazards are remedied. The utility is not required to perform these inspections for the applicant/customer, but will assist the applicant/customer to locate and obtain the services of a licensed inspector in a timely manner. When potential sources of contamination are identified which, in the opinion of the inspector or the utility, require the installation of a state-approved backflow prevention device, such back flow prevention device shall be installed on the customer's service line or other necessary plumbing facilities by an appropriately licensed plumber/back flow prevention device specialist at the customer's expense. The backflow prevention device shall be maintained by the customer at his expense and inspected annually by a licensed inspector. Copies of the annual inspection report must be provided to the utility. Failure to comply with this requirement may constitute grounds for termination of water service with notice.

All customers or service applicants shall provide access to meters and utility cutoff valves at all times reasonably necessary to conduct ordinary utility business and after normal business hours as needed to protect and preserve the integrity of the public drinking water supply. Access to meters and cutoff valves shall be controlled by the provisions of 30 T.A.C. 291.89(c).

Where necessary to serve an applicant's property, the utility may require the applicant to provide it a permanent recorded public utility easement on and across the applicant's real property sufficient to provide service to that applicant.

Service applicants may be required to comply with any pre-condition to receiving service not printed herein as may exist under TCEQ rule (customer service, health and safety, water conservation, or environmental), USEPA rule, TWDB rule, local water or conservation district rule or health department rule. Existing customers shall be required to comply with such rules, including modification of their plumbing and/or consumption patterns, after notice.

SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS (CONT.)

Customers must make meters accessible to the Utility and its personnel. If they do not, the Utility may require the removal of the meter to another location according to Section 291.89(c) of the TCEQ's rules. The Utility will give the customer the option of converting to a remote radio read meter at the customer's expense in lieu of bearing the cost of relocating the meter and any Utility water lines necessitated by the customer's actions. If the customer does not accept this option, the customer will be charged for all incurred meter relocation costs. Before relocating the meter, the utility must provide the customer with written notice of its intent to do so.

This notice must include information on the estimated cost of relocating the meter, an explanation of the condition hindering access and what the customer can do to correct that condition, and information on how to contact the utility. The notice must give the customer a reasonable length of time to arrange for utility access so the customer may avoid incurring the relocation cost. A copy of the notice given to the customer shall be filed with the utility's records on the customer's account.

Customers shall not enclose meters with fences or other artificial barriers. If there is a fence in front of a meter, the customer shall install a gate or stile with 300 pound-load bearing capacity to enable meter readers and service crews to obtain ready access to the utility's property.

Lock removal or damage fee – This fee shall be assessed to the account holder of any delinquent account that has been terminated for non-payment by locking the meter and the lock has subsequently been removed or damaged without authorization by the utility in order to restore water service to the account holder's original place of service. This fee shall not be charged if the damaged meter fee is charged.

Damaged meter and appurtenances fee. – This fee shall be assessed to the account holder of any delinquent account that has been terminated for non-payment by locking the meter and meter or appurtenances such as the curb stop have been damaged requiring repair and/or replacement in an attempt to restore water service to the point of serve that was disconnected. The account holder shall be charged the full cost of repairing and/or replacing all damaged parts, including labor and vehicles. This will include replacement of meters that have had their locking eyes broken off the flanges.

Service applicants are free to have customer service inspections required by TCEQ Rule 290.46(j) by any state-licensed inspector of their choice.. They are encouraged to use a third party inspector and not an employee of the Utility. However, if they request the Utility to perform the inspection, it will be done at market prices. Since this is not a function of public water utility service, performing customer service inspections must take lower priority to fulfilling utility service responsibilities under the TCEQ's Chapter 290 and 291 rules.

SECTION 3.0 - EXTENSION POLICY

Section 3.01 - Standard Extension Requirements

LINE EXTENSION AND CONSTRUCTION CHARGES. No contribution in aid of construction may be required of any customer except as provided for in this approved extension policy.

The customer will be given an itemized statement of the costs, options such as rebates to the customer, sharing of construction costs between the utility and the customer, or sharing of costs between the customer and other applicants prior to beginning construction.

The utility will bear the full cost of any oversizing of water mains necessary to serve other customers in the immediate area. The individual residential customer shall not be charged for any additional production, storage, or treatment facilities. Contributions in aid of construction may not be required of individual residential customers for production, storage, treatment or transmission facilities unless otherwise approved by the Commission under this specific extension policy.

COST UTILITY SHALL BEAR. Within its Certificate of Convenience and Necessity ("CCN") service area, the utility will pay the cost of the first 200 feet of any water main or distribution line necessary to extend service to an individual residential customer within a platted subdivision. However, if the residential customer requesting service purchased the property after the developer was notified of the need to provide facilities to the utility, the utility may charge for the first 200 feet. The utility must also be able to document that the developer of the subdivision refused to provide facilities compatible with the utility's facilities in accordance with the utility's approved extension policy after receiving a written request from the utility.

Developers may be required to provide contributions in aid of construction in amounts to furnish the system with all facilities necessary to comply with the TCEQ's Rules.