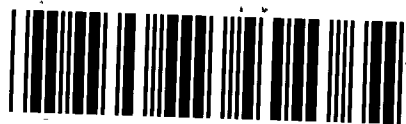


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PUBLIC UTILITY COMMISSION
FILING CLERK

February 24, 2017

Dear Aqua Texas Customer:

Aqua Texas (Aqua) hereby notifies you that it is implementing a Regional Pass-Through Gallonage Charge (RPTGC) of \$0.2640 per 1,000 gallons effective March 1, 2017 for water utility service rendered on or after that date (a \$0.2113 per 1,000 gallons decrease). This tariff change is being implemented in accordance with Aqua's approved RPTGC Adjustment provision in its "Water Utility Tariff for North Region". The City of Stockton Bend (f/k/a Brazos Bend) ("City") has also authorized RPTGC changes for in-City water service under the same provision.

This tariff revision is to recognize changes in North Region water use pumping fees charged by groundwater conservation districts and costs of purchased water ("pass-through costs"). The pass-through costs charged to customers using Aqua's RPTGC will not exceed the changed North Region pass-through costs. Calculations are set forth on the reverse side of this letter showing the basis for the present RPTGC and the new RPTGC, including the change in North Region water pass-through costs.

Aqua's RPTGC adjustments are considered informal proceedings designed to reduce the frequency of full Aqua rate cases. However, PUC staff will review Aqua's calculations and direct any appropriate RPTGC revisions within a 45-day period. Otherwise, \$0.2640 per 1,000 gallons will remain the North Region water RPTGC until further notice.

This tariff change is being implemented in accordance with the minor tariff changes allowed by 16 Texas Administrative Code §24.21. The cost to you as a result of this change will not exceed the costs charged to your utility.

Please call Aqua at 877.WTR.AQUA (877.987.2782) if you have any questions about this RPTGC change.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert L. Laughman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert L. Laughman

North Regional Pass-Through Gallonage Charge Calculation - Per Existing Tariff

1	Adjusted regional pass-through costs subject to adjusted Regional Pass-Through Gallonage Charge	\$	623,124
2	Test Year Volumes Sold (1,000 gallons)		1,311,005
3	Pass Through Rate (Line 1/Line 2)	\$	0.4753

Aqua Texas - North Regional Water Utility Tariff**Regional Pass-Through Gallonage Charge True-up / Adjustment Provision and Report for 2016**

The True-up calculation for a completed calendar year Report shall be as follows:

a)	Regional Pass-Through Gallonage Charge revenues billed during completed calendar year:	\$	552,991
b)	Regional Pass-Through costs actually incurred during completed calendar year:	\$	446,199
c)	Difference between a) and b)	\$	106,792

Where, a) - b) = c)

Annual Regional Pass-Through Gallonage Charge recalculations shall follow the following formula:

b)	Same as b) above.	\$	446,199
c)	Same difference as c) above	\$	106,792
d)	Total adjusted regional pass-through costs subject to adjusted Regional Pass-Through Gallonage Charge	\$	339,406

Where, b) - c) = d)

Divide by:

e)	Actual historic gallons billed to all regional customers in completed calendar year (1,000 gallons):		1,285,637
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Equals:

f)	Regional Pass-Through Gallonage Charge as adjusted:	\$	0.2640
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Where d) / e) = f)

Existing Regional Pass-Through Gallonage Charge:	\$	0.4753
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Change:	\$	(0.2113)
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Aqua Texas - North Regional Pass-Through Costs

Entities charging Fees	2010 (Test Year)	2013	2014	2015	2016
Bethesda Water Supply		8,279	7,788	24,377	9,385
Cash Special Utility District		58,256	57,396	62,786	53,048
City of Ft. Worth		27,404	42,411	65,888	45,157
City of Granbury		35,311	6,806	8,886	7,450
City of Kilgore		21,569	18,475	20,738	24,490
City of Longview		21,472	14,690	13,949	16,248
City of Palestine		34,120	38,966	45,032	39,074
City of Waco		11,963	10,043	8,535	9,899
Lake Cities MUA		1,421	1,421	1,411	1,520
MacBee SUD		16,447	13,332	16,220	28,506
Neches and Trinity Valley		3,858	3,663	3,927	4,742
Southern Trinity GCD		9,818	6,857	7,282	8,649
Upper Trinity GWCD		125,149	139,546	155,131	131,240
Walnut Creek SUD		4,103	3,712	5,780	5,271
North Texas GCD		18,507	20,940	19,198	21,851
Northern Trinity GCD		32,875	34,373	32,508	33,734
Prairielands GCD		6,203	5,502	5,329	5,816
Red River GW		128	120	111	118
Purchased Water (Test Year)	188,326				
Pumping Fees (Test Year)	140,857				
Total Expenses - To True-Up Report	329,183	436,880	426,039	497,090	446,199
	①	②	③	④	⑤

North Regional Pass-Through Gallonage Charge Calculation - Per Existing Tariff (2010 Test Year)

1 Test Year Purchase Water	\$	188,326
2 Test Year Pumping Fee	\$	140,857
3 Total Pass Through Costs	\$	329,183
4 Test Year Volumes Sold (1,000 gallons)		1,381,007
5 Pass Through Rate (Line 3/Line 4)	\$	0.2384

- (1)

Aqua Texas - North Regional Water Utility Tariff

Regional Pass-Through Gallonage Charge True-up / Adjustment Provision and Report for 2013

The True-up calculation for a completed calendar year - 2013. Report shall be as follows:

a) Regional Pass-Through Gallonage Charge revenues billed during completed calendar year:	\$	319,393
b) Regional passed-through costs actually incurred during completed calendar year:	\$	436,880
c) Difference between a) and b)	\$	(117,488)

- (2)

Where, a) - b) = c)

Annual Regional Pass-Through Gallonage Charge recalculations shall follow the following formula:

b) Same as b) above.	\$	436,880
c) Same difference as c) above	\$	(117,488)
d) Total adjusted regional pass-through costs subject to adjusted Regional Pass-Through Gallonage Charge	\$	554,368

- (2)

Where, b) - c) = d)

Divide by:

e) Actual historic gallons billed to all regional customers in completed calendar year (1,000 gallons):		1,384,187
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Equals:

f) Regional Pass-Through Gallonage Charge as adjusted:

\$	0.4005
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Where d) / e) = f)

Existing Regional Pass-Through Gallonage Charge:

\$	0.2384
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Change:

\$	0.1621
----	--------

North Regional Pass-Through Gallonage Charge Calculation - Per Existing Tariff

1 Adjusted regional pass-through costs subject to adjusted Regional Pass-Through Gallonage Charge	\$	554,369
2 Test Year Volumes Sold (1,000 gallons)		1,384,187
3 Pass Through Rate (Line 1/Line 2)	\$	0.4005

Aqua Texas - North Regional Water Utility Tariff

Regional Pass-Through Gallonage Charge True-up / Adjustment Provision and Report for 2014

The True-up calculation for a completed calendar year - 2014. Report shall be as follows:

a) Regional Pass-Through Gallonage Charge revenues billed during completed calendar year:	\$	482,833
b) Regional Pass-Through costs actually incurred during completed calendar year:	\$	426,039
c) Difference between a) and b)	\$	56,795

Where, a) - b) = c)

Annual Regional Pass-Through Gallonage Charge recalculations shall follow the following formula:

b) Same as b) above.	\$	426,039
c) Same difference as c) above	\$	56,795
d) Total adjusted regional pass-through costs subject to adjusted Regional Pass-Through Gallonage Charge	\$	369,244

Where, b) - c) = d)

Divide by:

e) Actual historic gallons billed to all regional customers in completed calendar year (1,000 gallons):		1,357,810
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Equals:

f) Regional Pass-Through Gallonage Charge as adjusted:	\$	0.2719
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Where d) / e) = f)

Existing Regional Pass-Through Gallonage Charge:	\$	0.4005
Change:	\$	(0.1286)

North Regional Pass-Through Gallonage Charge Calculation - Per Existing Tariff

1 Adjusted regional pass-through costs subject to adjusted Regional Pass-Through Gallonage Charge	\$	369,244
2 Test Year Volumes Sold (1,000 gallons)		1,357,810
3 Pass Through Rate (Line 1/Line 2)	\$	0.2719

Aqua Texas - North Regional Water Utility Tariff

Regional Pass-Through Gallonage Charge True-up / Adjustment Provision and Report for 2015

The True-up calculation for a completed calendar year - 2015. Report shall be as follows:

a) Regional Pass-Through Gallonage Charge revenues billed during completed calendar year:	\$	371,055
b) Regional Pass-Through costs actually incurred during completed calendar year:	\$	497,090
c) Difference between a) and b)	\$	(126,035)

Where, a) - b) = c)

Annual Regional Pass-Through Gallonage Charge recalculations shall follow the following formula:

b) Same as b) above.	\$	497,090
c) Same difference as c) above	\$	(126,035)
d) Total adjusted regional pass-through costs subject to adjusted Regional Pass-Through Gallonage Charge	\$	623,124

Where, b) - c) = d)

Divide by:

e) Actual historic gallons billed to all regional customers in completed calendar year (1,000 gallons):		1,311,005
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Equals:

f) Regional Pass-Through Gallonage Charge as adjusted:

Where d) / e) = f)

Existing Regional Pass-Through Gallonage Charge:

Change:	\$	0.2719
	\$	0.2034

North Regional Pass-Through Gallonage Charge Calculation - Per Existing Tariff

1 Adjusted regional pass-through costs subject to adjusted Regional Pass-Through Gallonage Charge	\$	623,124
2 Test Year Volumes Sold (1,000 gallons)		1,311,005
3 Pass Through Rate (Line 1/Line 2)	\$	0.4753

Aqua Texas - North Regional Water Utility Tariff

Regional Pass-Through Gallonage Charge True-up / Adjustment Provision and Report for 2016

The True-up calculation for a completed calendar year Report shall be as follows:

a) Regional Pass-Through Gallonage Charge revenues billed during completed calendar year:	\$	552,991
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Where, b) - c) = d)

Divide by:

e) Actual historic gallons billed to all regional customers in completed calendar year (1,000 gallons):

Equals:

f) Regional Pass-Through Gallonage Charge as adjusted:

Where d) / e) = f)

Existing Regional Pass-Through Gallonage Charge:

Change:

	\$	1,285,637
	\$	0.2640
	\$	0.4753
	\$	(0.2113)