

Settlement Agreement
Between
SWWC Utilities, Inc. and the City of Bulverde, Texas

The following is our Settlement Agreement concerning SWWC Utilities, Inc. doing business as Water Services, Inc. (WSI) rate application (Rate Application) submitted to the City of Bulverde (City) on September 3, 2013.

1. The City waives the City's rate application requirements and accepts the Rate Application as submitted by WSI.
2. The City approves all miscellaneous charges and all other tariff provisions as filed in the Rate Application.
3. The City approves the following water rates for WSI customers within the City of Bulverde to be effective on the first meter read after January 1, 2014:

Meter Size	Monthly Minimum Charge (Includes 0 gallons)	Gallonge Charge (per 1,000 gallons)
5/8"	\$40.95	\$2.50 from 0 – 2,000 gallons \$3.65 from 2,001 - 10,000 gallons \$5.50 from 10,001 – 20,000 gallons \$8.50 over 20,000 gallons
3/4"	61.43	
1"	\$102.38	
1 1/2"	\$204.75	
2"	\$327.60	
3"	\$614.25	
4"	\$1,023.75	
6"	\$2,047.50	
8"	\$3,276.00	
10"	\$4,709.25	
12"	\$10,237.50	

4. Except in the event of unforeseen circumstances, WSI agrees to limit future rate increases such that a monthly bill increase at all usage levels is not more than 15 percent per year until the fifth anniversary of the September 3, 2013 rate application. This limitation on WSI's rate increase for the specified period in no way restricts the City of Bulverde's original jurisdiction under the Texas Water Code to regulate rates so that those rates may be fair, just, and reasonable within its corporate limits. If unforeseen circumstances occur that warrant an increase greater than 15 percent, WSI may submit a request to the City detailing the circumstances, the necessity of the increase, the amount sought, and the period of time such increase is to be in effect. Unforeseen circumstances shall include events or circumstances that are not within the control of WSI and that could not have been avoided by WSI with the exercise of good faith, due diligence, and reasonable care. For example, unforeseen circumstances include but are not limited to: an act of God (such as, but not limited to fires, explosions, floods, and

droughts); war, hostilities, and acts or threats of terrorism; and changes in State or Federal policies or regulations that significantly affect the utility's cost of service (such as, but not limited to changes in policies or regulations that require the utility to make significant capital investments or modifications to its water systems).

5. WSI submitted the September 3, 2013 application to the Texas Commission of Environmental Quality (TCEQ) to change rates charged to customers outside the City. If the TCEQ or successor agency, the Public Utility Commission of Texas (PUCT) sets rates lower than this Settlement Agreement, WSI will reduce rates for City customers effective on the date of the TCEQ's or its successor's rate order with no refunds.
6. WSI and the City will each bear their own expenses related to the Rate Application. The City will not seek to intervene in the September 3, 2013 application submitted to the TCEQ. WSI will not surcharge its customers within the City for recovery of rate case expenses related to the September 3, 2013 application submitted to the TCEQ.
7. The September 3, 2013 Rate Application supports an increase in revenue requirement for the test year ending December 31, 2012 for WSI in the amount of \$599,692, or 38.93 percent. However, to moderate the impact of this rate increase on customers, WSI voluntarily reduced its request for an increase in recovery of WSI revenue by \$414,024. WSI calls this voluntary reduction in its requested revenue "cost of service held in abeyance" or "revenue held in abeyance." WSI is foregoing this revenue and will not attempt to recover this foregone revenue from its customers in the future. WSI reserves the right to increase its rates in the future as allowed by law based upon its cost of service at the time of such application and as limited in this Settlement Agreement.

(Signature page of Settlement Agreement between SWWC Utilities, Inc. and the City of Bulverde, Texas)

CITY OF BULVERDE, TEXAS:

By: William Krawietz

Printed Name: William Krawietz

Title: Mayor

Date: Dec 10, 2013

SWWC UTILITIES, INC.:

By: Charles W. Proffitt, Jr.

Printed Name: Charles W. Proffitt, Jr.

Title: Vice President

Date: 12-6-13