

NOTICE OF PROPOSED SEWER RATE CHANGE

Texas-American Water Company
 (formerly doing business as Southwest Utilities, Inc. and Walker Water Works, Inc.)
 Company Name 21005
CCN No.

This is a corrected Notice of Proposed Sewer Rate Change which changes certain information shown on the Notice you received with a postmark date of February 21st, 2008. Under the Billing Comparison for Sewer Rates, a residential customer with 10,000 gallons of consumption under the Existing Rates would have a monthly sewer bill of \$59.90 (not \$63.10 as stated in the previous Notice), and a residential customer with 30,000 gallons of consumption under the Existing Rates would have a monthly sewer bill of \$133.70 (not \$113.10 as stated in the previous Notice). In addition, a residential customer with 30,000 gallons of consumption under the Proposed Rates would have a monthly sewer bill of \$208.00 (not \$208.01 as stated in the previous Notice). Finally, the proposed monthly base rate for 3-inch meter sewer customers is \$621.25 (not \$621.20 as stated in the previous Notice). We apologize for these errors. Because of this revised notice, the new effective date for the proposed sewer rates is May 22, 2008 (not April 22, 2008 as stated in the previous Notice).

NOTICE OF PROPOSED SEWER RATE CHANGE

Texas-American Water Company
 (formerly doing business as Southwest Utilities, Inc. and Walker Water Works, Inc.)¹
 Company Name 21005
CCN No.

has submitted a rate change application to the Texas Commission on Environmental Quality (Commission). The proposed sewer rates listed on the next page will apply to service received on or after the first day of a billing cycle occurring on or after the effective date provided below. If the Commission receives protests to the proposed increase from 10 percent of the ratepayers or from any affected municipality before the 91st day after the proposed effective date, a public hearing will be scheduled to determine if the proposed rates are reasonable. Protests should be mailed to:

Texas Commission on Environmental Quality
Water Supply Division
Utilities & Districts Section, MC 153
P. O. Box 13087
Austin, Texas 78711-3087

Unless protests are received from 10 percent of the ratepayers or the Commission staff requests a hearing, no hearing will be held and rates will be effective as proposed. Please read the following information carefully:

Subdivisions or Systems Affected by Rate Change:

Wastewater Treatment Plant Name	TCEQ Discharge Permit #
Ashley Oaks Mobile Home Park	14039-001
Colonial Hills	10694-001
Greenwood Village	11255-001
Village Trace	12822-001
Weybridge	14324-001

P.O. Box 907	El Campo	TX	77437	979-543-5244
Company Address	City	State	Zip	Telephone
\$262,421 (37.30%)	March 21, 2008			
Annual Revenue Increase	Date Customer Notice Mailed			
December 17, 2006	13 cycles throughout the first three weeks of the month			
Date of Last Rate Change	Date Meters Typically Read			

FORWARDING SERVICE REQUESTED

PRESORTED
 First Class
 U.S. Postage
PAID
 Royersford, PA
 Permit #539



¹ On June 25, 2007 TCEQ approved the merger of Southwest Utilities, Inc. and Walker Water Works, Inc. into Texas-American Water Company.

Notice of Proposed Sewer Rate Change (contd.)

EFFECTIVE DATE OF PROPOSED INCREASE: May 22, 2008

REQUEST FOR RECOVERY OF POSITIVE ACQUISITION ADJUSTMENT: In this rate change application, the Company is requesting recovery of a positive acquisition adjustment under Commission rules at 30 Tex. Admin. Code Sec. 291.31(d) for utility plant, property and equipment acquired by the Company in a purchase from another retail public utility. The justification for the acquisition adjustment under the Commission rules is set forth in the application.

BILLING COMPARISON FOR SEWER RATES:

Residential Customer Bill with 5/8" or 3/4" Meter Size Under Existing Rates:	at 3,000 gallons consumption:	\$34.07 per month	at 10,000 gallons consumption:	\$59.90 per month	at 30,000 gallons consumption:	\$133.70 per month
Residential Customer Bill with 5/8" or 3/4" Meter Size Under Proposed Rates:	at 3,000 gallons consumption:	\$43.30 per month	at 10,000 gallons consumption:	\$86.00 per month	at 30,000 gallons consumption:	\$208.00 per month

The proposed rates will apply to all sewer service rendered on or after the first day of a billing cycle occurring on or after the effective date and will be reflected on the bill you receive approximately 30 to 45 days after the effective date. In the event that the application is set for hearing, the specific rates requested by the utility may be decreased or increased by order of the Commission. If the Commission orders a lower rate to be set, the utility may be ordered to refund or credit against future bills all sums collected during the pendency of the rate proceeding in excess of the rate finally ordered plus interest. You may inspect a copy of the rate change application at your utility's office or at the Commission's office at 12015 Park 35 Circle, Building F, Suite 3101, Austin, Texas. Additional information about the application can be obtained by contacting the Utilities and Districts Section at (512) 239-4691. Information about how you can participate in the rate setting process can be obtained by contacting the Public Interest Counsel at (512) 239-6363.

Volume charges are determined based on average consumption for winter months of December, January and February. For residential customers with no winter consumption history, a default charge of \$55.00 will be billed. Commercial customers will be charged for the actual month's water usage.

Mobile Home Park Class: Base rate of \$184.88 per month, incl. 0 gallons. Gallonage charge of \$2.50 per 1,000 gals. metered actual month's water consumption.

Miscellaneous Fees

Tap fee	\$500.00
Reconnection fee	
For non-payment	\$25.00
For customer's request	\$50.00
Transfer fee	\$25.00
Late charge	\$5.00
Returned check charge	\$20.00
Deposit (Residential)	\$50.00
Deposit (Commercial and non-residential)	1/6 of estimated Annual bill

Volume charges are determined based on average consumption for winter months of December, January and February. For residential customers with no winter consumption history, a default charge of \$66.24 will be billed. Commercial customers will be charged for the actual month's water usage.

Mobile Home Park Class (2-inch or larger meter sizes): Base rate of \$217.12 per month, incl. 0 gallons. Gallonage charge is \$2.934 per 1,000 gals. of consumption.

Miscellaneous Fees

Tap Fee	\$500.00
Reconnection fee	
For non-payment	\$25.00
For customer's request	\$50.00
Transfer fee	\$25.00
Late charge:	\$5.00
Returned check charge	\$20.00
Deposit (Residential)	\$50.00
Deposit (Commercial and non-residential)	1/6 of estimated Annual bill

Regulatory Assessment of 1% is added to base rate and gallonage charges.

CURRENT SEWER RATES

Monthly base rate including 0 gallons

Meter Size:

5/8" x 3/4" (Residential)	\$23.00
5/8" x 3/4" (Residential customers with no winter usage history)	\$55.00
1"	\$95.25
1 1/2"	\$190.50
2"	\$304.80
3"	\$571.50
4"	\$952.50

Gallonage Charge: \$3.69 per 1,000 gals. and each additional 1,000 gals.

PROPOSED SEWER RATES

Monthly base rate including 0 gallons

Meter Size:

5/8" x 3/4" (Residential)	\$25.00
5/8" x 3/4" (Residential customers with no winter usage history)	\$66.24
1"	\$103.50
1 1/2"	\$204.00
2"	\$331.25
3"	\$621.25
4"	\$1,035.25

Gallonage Charge: \$6.100 per 1,000 gals and each additional 1,000 gals.