

The meeting may be called by resolution of the Board of Directors or by a written request filed with the Secretary signed either by a majority of the Directors or by a majority of the Members entitled to vote at any such meeting.

3. NOTICE OF MEMBERS' MEETING

Written or printed notice stating the place, day and hour of the meeting, and in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the President, Secretary or the Officer or person calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his/her address as it appears on the membership books of the Corporation, with postage thereon prepaid.

4. MEMBERSHIPS AND VOTING OF MEMBERSHIPS

The Corporation shall have one class of "Members" which shall be defined by the Articles of Incorporation.

All customers of the Corporation must hold a membership or obtain their service through a membership. Every person (which includes any legal entity) owning or having a legal right to the control, possession or occupancy of property served or which may reasonably be served by the Corporation by fee simple ownership of the same, shall have the right to become a Member of the Corporation upon payment of the membership fee provided herein and upon compliance with the Corporation's conditions of water service as provided for in its published charges, rates and conditions of service. Membership shall not be denied because of the applicant's race, color, creed, citizenship or national origin. Membership and service shall never be discriminated against on the basis of any class or distinction recognized and protected by law. Membership shall be tied to the fee simple ownership of the property to be served. Tenants shall be served only through memberships held by their landlords, who shall be responsible for their tenant's service accounts as a continuing condition of their membership. No landlord otherwise in good standing shall be denied service to his/her property because of the identity of their tenant. A person or entity that holds an interest in property solely as security for the performance of an obligation or that only builds on or develops the property for sale to others may not hold memberships. Developers, builders, etc. who are otherwise prohibited from holding memberships may only have memberships for those permanent service connections on property not to be resold in the ordinary course of business, for example for illustration only: real estate sales offices, irrigation meters, community pools, community centers, etc. Developers, builders, etc. who are



House Bill (HB) 1600 and Senate Bill (SB) 567 83rd Legislature, Regular Session, transferred the functions and records relating to the economic regulation of water and sewer utilities from the TCEQ to the PUC effective September 1, 2014.

Central Records Personally Identifiable Information Audit

NOTICE OF REDACTION

Documents containing Personally Identifiable Information* have been redacted from electronic posting, in accordance with Texas privacy statutes.

*"Personally Identifiable Information" (PII) is defined to include information that alone or in conjunction with other information identifies an individual, including an individual's: Social security or employer taxpayer identification number, driver's license number, government-issued identification card number, or passport numbers, checking and savings account numbers, credit card numbers, debit card numbers, unique electronic identification number, address, or routing code, electronic mail names or addresses, internet account numbers, or internet identification names, digital signatures, unique biometric data, and mother's maiden name, marriage and any other numbers or information used to access an individual's financial account.

otherwise prohibited from holding memberships may receive temporary interim service at property being held for re-sale until the property is sold.

No Member shall be eligible to participate in any vote of the membership if that Member has an outstanding utility account balance owed to the Corporation for utility services rendered, membership fees or authorized fees if said debt has been delinquent for a period of not less than sixty (60) days prior to the date of such election or vote.

5. CLOSING TRANSFER BOOKS AND FIXING RECORD DATE

For the purpose of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment thereof or in order to make a determination of Members for any other proper purpose, ownership of memberships shall be deemed to be vested in those persons who are the record owners of memberships as evidenced by the membership transfer book on the fifteenth (15th) day of the month preceding the month of the date upon which the required action requiring such determination is to be taken.

6. QUORUM OF MEMBERS

A quorum for the transaction of business at a meeting of the members is a majority of the members present. In determining whether a quorum is present, all members who mailed or delivered ballots to the independent election auditor or the corporation on a matter submitted to a vote at the meeting are counted as present.

7. VOTING LISTS

The Officer or agent having charge of the membership books for the memberships of the Corporation shall make, at least ten (10) days before each meeting of Members, a complete list of the Members entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of memberships held by each. The list, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office of the Corporation and shall be subject to inspection by any Member at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Member during the whole time of the meeting. The original membership books shall be evidence as to who are the Members entitled to examine such list or books or to vote at any meeting of Members.

ARTICLE 8 - MEMBER ELECTIONS

1. QUALIFICATIONS FOR ELECTION OR APPOINTMENT AS DIRECTOR.

(a) To be qualified for election or appointment as a director, a person must be:

(1) 18 years of age or older on the first day of the term to be filled at the election or on the date of appointment, as applicable; and

(2) a member or shareholder of the corporation.

(b) In addition to the qualifications prescribed by Subsection (a), a person is not qualified to serve as a director if the person:

(1) has been determined by a final judgment of a court exercising probate jurisdiction to be:

(A) totally mentally incapacitated; or

(B) partially mentally incapacitated without the right to vote;
or

(2) has been finally convicted of a felony from which the person has not been pardoned or otherwise released from the resulting disabilities.

(c) If the board determines that a person serving as a director does not have the qualifications prescribed by Subsections (a) and (b), the board shall, not later than the 60th day after the date the board makes that determination, remove the director and fill the vacancy by appointing a person who has the qualifications prescribed by those subsections.

2. BALLOT APPLICATION.

(a) To be listed on the ballot as a candidate for a director's position, a person must file an application with the corporation that includes:

(1) the director's position sought, including any position number or other distinguishing number;

(2) a petition signed by the lesser of 25 members or shareholders or five percent of the members or shareholders, requesting that the person's name be placed on the ballot as a candidate for that position;

(3) the person's written consent to serve, if elected;

(4) biographical information about the person; and

(5) a statement of the person's qualifications, including a statement that the person has the qualifications prescribed by Section 67.0051.

(b) The application must be filed with the corporation not later than the 45th day before the date of the annual meeting.

(c) The corporation shall make available director candidate application forms at the corporation's main office and shall provide application forms by mail or electronically on request.

3. BALLOT.

(a) Not later than the 30th day before the date of an annual meeting, the corporation shall mail to each member or shareholder of record:

(1) written notice of the meeting;

(2) the election ballot; and

(3) a statement of each candidate's qualifications, including biographical information as provided in each candidate's application.

(b) The election ballot must include:

(1) the number of directors to be elected; and

(2) the names of the candidates for each position.

4. ELECTION PROCEDURES.

(a) A member or shareholder may vote:

(1) in person at the annual meeting;

(2) by mailing a completed ballot to the office of the independent election auditor or to the corporation's main office, which ballot must be received by the corporation not later than noon on the business day before the date of the annual meeting; or

(3) by delivering a completed ballot to the office of the independent election auditor or to the corporation's main office not later than noon on the business day before the date of the annual meeting.

(b) The independent election auditor, appointed by majority vote of the Board of Directors, shall receive and count the ballots before the annual meeting is adjourned.

(c) For each director's position, the candidate who receives the highest number of votes is elected.

(d) If two or more candidates for the same position tie for the highest number of votes for that position, those candidates shall draw lots to determine who is elected.

(e) The independent election auditor shall provide the board with a written report of the election results.

(f) The board may adopt necessary rules or bylaws to implement this section, including rules or bylaws to ensure the fairness, integrity, and openness of the voting process.

5. Official Ballot. The Board shall adopt an official ballot form to be used in conducting the business of the Corporation at any annual or special meeting. No other ballot form will be valid. Ballots from members or shareholders are confidential and are exempted from disclosure by the corporation until after the date of the relevant election.

6. Independent Election Auditor.

The Board shall select an independent election auditor not later than the 30th day before the scheduled date of the annual meeting. The independent election auditor is not required to be an experienced election judge or auditor and may serve as an unpaid volunteer. At the time of selection and while serving in the capacity of an independent election auditor, the independent election auditor may not be associated with the corporation as:

(a) an employee;

(b) a director or candidate for director; or

(c) an independent contractor engaged by the corporation as part of the corporation's regular course of business.

ARTICLE 9 - DIRECTORS

1. BOARD OF DIRECTORS

A Board of Directors shall manage the business and affairs of the Corporation. Directors must be: (a) residents of the State of Texas, (b) utility customers of the Corporation and (c) Members in the Corporation. After the expiration of the first terms of the initial directors at the time of incorporation, the majority of the Directors must be residents (full-time or part-time) of the Corporation's lawful service area.

2. NUMBER AND ELECTION OF DIRECTORS

The number of Directors shall be 5 provided that the number may be increased or decreased from time to time by an amendment to these by-laws approved by vote of the Board of Directors, but no decrease shall have the effect of shortening the term of any incumbent Director. At each annual election the Members shall elect Directors to hold office until the next annual meeting. The number of Directors may never exceed twenty-one (21).

There shall be three (3) classes of Directors of as near equal number as reasonably possible. Directors shall serve a term of three (3) years. The classes shall be such that one-third of the Directors shall stand for election in year one. The second one-third shall stand for election in the following year. The remaining one-third shall stand for election in the third year. There shall be no limit on the number of consecutive terms to which a Director may be elected by the general membership or by the Directors as a successor Director.

3. VACANCIES

Officers and Directors may be removed from office in the following manner except as provided below regarding absentee Directors: Any Member, Officer or Director may present charges against a Director or Officer by filing such charges in writing with the Secretary-Treasurer of the Corporation. If presented by a Member, the charges must be accompanied by a petition signed by at least ten (10%) percent of the Members of the Corporation. Such removal shall be voted on at the next regular or special meeting of the membership and shall be effective, if approved, by a vote of a 2/3rds majority of those voting if a quorum is present. The Director(s) or Officer(s) against whom charges have been presented shall be informed in writing of the charges at least twenty (20) days prior to the meeting, and shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses, and the person(s) presenting such charges shall have the same opportunity. If the removal of a Director(s) is

approved, such action shall also vacate any other office(s) held by the removed Director(s) in the Corporation. A vacancy on the Board thus created shall immediately be filled by a qualified person other than the removed Director(s) upon the vote of a majority of the Members present and voting at such meeting. The Board of Directors from among their number so constituted after the vacancy in the Board has been filled shall fill a vacancy of any office thus created.

If a Director is absent from three (3) or more consecutive regular meetings of which the Director was mailed or hand delivered a written notice, that Director may be removed by two-thirds (2/3rds) vote of all other Directors in a regular or special meeting. The Director against whom charges of absenteeism without good cause have been presented shall be informed in writing of the charges at least twenty (20) days prior to the meeting, and shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses. The person(s) presenting such charges shall have the same opportunity. If the removal of the Director is approved, such action shall also vacate any other office(s) held by the removed Director(s) in the Corporation. A successor Director shall be elected by a majority of the remaining Directors to hold office until the next regular or special membership meeting at which time a permanent successor shall be elected by a majority of the Members voting to serve the remainder of the unexpired term of the removed Director.

Any vacancy occurring in the Board of Directors by resignation or death shall be filled by the affirmative vote of the remaining Directors, though less than a quorum of the Board. A successor Director shall serve until the next regular or special meeting of the membership at which time the general membership shall elect a successor to fill the remaining balance of the previously vacated term. Any Directorship to be filled by reason of an increase in the number of Directors shall be filled by election at the next annual meeting or at a special meeting of Members called for that purpose.

4. QUORUM OF DIRECTORS

A majority of the Board of Directors shall constitute a quorum for the transaction of business. The vote of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

5. ANNUAL MEETING OF THE DIRECTORS

Within thirty days after each annual meeting of Members, the Board of Directors elected at such meeting shall hold an annual meeting at which they shall elect Officers and transact such other business as shall come before the meeting. Nothing shall prohibit the holding of the annual meeting of Directors immediately

following and at the same place as the annual meeting of Members except for the unavailability of all Directors elected at the annual meeting; in which such case, the annual meeting of Directors shall be held within thirty days.

6. REGULAR MEETING OF DIRECTORS

A regular meeting of the Board of Directors may be held at such a time as shall be determined from time to time by resolution of the Board of Directors.

7. SPECIAL MEETINGS OF DIRECTORS

The Secretary shall call a special meeting of the Board of Directors whenever requested to do so by the President or by two Directors. Such special meeting shall be held at the time specified in the notice of meeting.

8. PLACE OF DIRECTORS' MEETINGS

All meetings of the Board of Directors (annual, regular or special) shall be held either at the principal office of the Corporation or at such other place inside Fort Bend County, Texas as shall be specified in the notice of meeting.

9. NOTICE OF DIRECTORS' MEETINGS

Notice of regular or special meetings of the Board of Directors shall be given as required by law and shall include (at a minimum) posting of the meeting as required by the Texas Open Meetings Act, Texas Gov't Code Chapter 552, by furnishing the notice to the county clerk(s) of the county(ies) in which the Corporation provides service and by posting such notice in a place readily convenient to the public in its administrative office at all times at least seventy-two (72) hours preceding the scheduled time of the meeting. Such notice shall specify the date, hour, place and subject of each meeting held by the Board of Directors. In case of emergency or urgent public necessity, which shall be clearly identified in the notice, it shall be sufficient if the notice is posted four hours before the meeting is convened. Cases of emergency or urgent public necessity are limited to imminent threats to public health or safety or reasonably unforeseeable situations requiring immediate action by the Board. In the event of an emergency meeting, it shall be sufficient if notice is posted four hours before the meeting is convened, and the President or two or more Directors calling such emergency meeting shall, if the request therefor containing all pertinent information has previously been filed at the headquarters of the Corporation, give notice by telephone or telegraph to any news media requesting such notice and consenting to pay any and all expenses incurred by the

Corporation in providing such special notice. All such meetings shall then be conducted in the manner required by the Texas Open Meetings Act.

Unless waived in writing, each Director must be given a copy of all meeting notices within no less than the time limits set forth above. Notice of annual and regular meetings must be given at least ten (10) days before the meeting. Notice to Directors may be by regular mail or hand delivery.

10. ATTENDANCE AT MEETINGS

As all meetings of Directors must be open to the public, unless otherwise allowed by the Texas Open Meetings Act, telephone or other similar meetings shall not be permitted. Directors must attend meetings in person.

11. COMPENSATION

Directors, as such, shall not receive any stated salary for their services, but by resolution of the Board of Directors, expenses of attendance, if any, may be allowed for attendance at each annual, regular or special meeting of the Board. Directors may also be reimbursed for expenses personally incurred in attending meetings, conventions, training seminars, hearings, trials and other public forums or businesses in pursuit of the Corporation's lawful business. Where possible, the Corporation may pay such expenses directly for the affected Director(s).

12. CONFLICT OF INTEREST

The Board of Directors shall adopt and maintain a Conflict of Interest Policy designed to promote the business of the Corporation and serve the interests of the membership.

A Director shall be prohibited from providing goods or services to the Corporation. A Director shall not be authorized to vote on any matter in which they may have a pecuniary interest except as a Member of the Corporation. A Director has an affirmative duty to exercise reasonable due diligence to investigate and disclose any real or apparent conflicts of interests or pecuniary interests he may have on a matter affecting the Corporation or its Members.

No Director shall be liable to the Corporation or to the Corporation's membership for monetary damages for any act or omission in the Director's capacity as a Director of the Corporation, except and unless the Director shall be found liable for a breach of the Director's duty of loyalty to the Corporation or the Corporation's membership; an act or omission not in good faith that constitutes a

breach of the Director's duty to the Corporation or an act or omission that involves intentional misconduct or knowing violation of the law on the part of the Director; a transaction from which the Director receives an improper benefit, whether or not the benefit results from an act or omission for which liability of the Director is expressly provided by Texas law.

13. GOOD FAITH RELIANCE

In conducting their duties as Members of the Board, each Director (1) shall be entitled to rely, in good faith and with ordinary care, on information, opinions, reports or statements, including financial statements and other financial data, concerning the Corporation of the Corporation's affairs that have been prepared or presented by one or more Officers or employees of the Corporation; or by legal counsel, public accountants, registered engineers or other persons retained by the Corporation for the development of professional advice and information falling within such person's professional or expert competence; (2) may believe, in good faith and with ordinary care, that the assets of the Corporation are at least that of their book value; (3) in determining whether the Corporation has made adequate provision for the discharge of its liabilities and obligations, may rely in good faith and with ordinary care on the financial statements of, or other information concerning, any person or entity obligated to pay, satisfy or discharge some or all of the Corporation's liabilities or obligations; and (4) may rely in good faith and with ordinary care on information, opinions, reports or statements by one or more Officers or employees of the Corporation; or by legal counsel, public accountants, registered engineers, or other persons retained by the Corporation provided that said Director reasonably believes such matters fall within such person's professional or expert competence. Nevertheless, a Director must disclose any knowledge that he may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

14. CONDUCT OF MEETINGS

The Board of Directors shall provide access for new service applicants and Members to the regular monthly meetings of the Board of Directors by setting aside a time for hearing of suggestions, proposals or grievances. The Board of Directors shall establish reasonable rules for access to such meetings. The Board of Directors may, upon lawful notice to the public, meet in executive session when permitted, in the manner and for such limited purposes as provided for in the Texas Opening Meetings Act, as amended, and for no other reason. All proceedings of any meeting at which a quorum of Directors is present for the conduct of the business of the Corporation shall be recorded in the manner required by the Texas Open Meetings Act.

ARTICLE 10 - OFFICERS

1. OFFICERS ELECTION

The Officers of the Corporation shall consist of a President, a Vice-President, and a Secretary-Treasurer. All such Officers shall be elected at the annual meeting of the Board of Directors. Directors may be elected Officers. If any office is not filled at such annual Directors meeting, it may be filled at any subsequent regular or special meeting of the Board. The Board of Directors at such annual meeting, or at any subsequent regular or special meeting, may also elect or appoint such other Officers and assistant Officers and agents as may be deemed necessary. The same person, except the offices of President and Secretary-Treasurer, may hold any two or more offices.

All Officers and assistant Officers shall be elected to serve until the next annual meeting of Directors (following the next annual meeting of Members) or until their successors are elected; provided, that any Officer or assistant Officer elected or appointed by the Board of Directors may be removed with or without cause at any regular or special meeting of the Board whenever in the judgment of the Board of Directors the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any agent appointed shall serve for such term, not longer than the next annual meeting of the Board of Directors, as shall be specified, subject to like right of removal by the Board of Directors.

2. VACANCIES

If any office becomes vacant for any reason, the Board of Directors may fill the vacancy.

3. POWER OF OFFICERS

Each Officer shall have, subject to these by-laws and Texas Water Code, Chapter 67, VATCS, in addition to the duties and powers specifically set forth herein, such powers and duties as are commonly incident to his/her office and such duties and powers as the Board of Directors shall from time to time designate. All Officers shall perform their duties subject to the directions and under the supervision of the Board of Directors. The President may secure the fidelity of any and all Officers by bond or otherwise. The Officers shall obtain and maintain in full force for the benefit of the Corporation, its Officers and Directors, at the Corporation's expense and in a coverage amount set by the Board of Directors, liability and indemnity insurance covering the actions of all

Directors and Officers, such insurance commonly known as "errors and omission" coverage.

4. PRESIDENT

The President shall be the chief executive Officer of the Corporation. He/she shall preside at all meetings of the Directors and Members. He/she shall see that all orders and resolutions of the Board are carried out, subject however, to the right of the Directors to delegate specific powers, except such as may be by statute exclusively conferred in the President, to any other Officers of the Corporation.

He/she or any Vice-President shall execute bonds, mortgages and other instruments requiring a seal, in the name of the Corporation, and, when authorized by the Board, he/she or any Vice-President may affix the seal to any instrument requiring the same, and the seal when so affixed shall be attested by the signature of either the Secretary-Treasurer or an Assistant Secretary-Treasurer. He/she or the Secretary-Treasurer shall sign certificates of membership.

The President shall be *ex-officio* a Member of all standing committees.

He/she shall submit a report of the operations of the Corporation for the year to the Directors at their meeting preceding the annual meeting of the Members and to the Members at their annual meeting.

5. VICE-PRESIDENT

The Vice-President shall, in the absence or disability of the President, perform the duties and exercise the powers of the President, and he/she shall perform such other duties as the Board of Directors shall prescribe. There may be assistant vice-presidents to assist the Vice-President in the performance of his/her duties.

6. THE SECRETARY-TREASURER AND ASSISTANTS SECRETARIES-TREASURERS

The Secretary-Treasurer shall attend all meetings of the Board and all meetings of the Members and shall record all votes and the minutes of all proceedings and shall perform like duties for the standing committees when required. He/she shall give or cause to be given notice of all meetings of the Members and all meetings of the Board of Directors and shall perform such other duties as may be prescribed by the Board. He/she shall keep in safe custody the seal of the

Corporation, and when authorized by the Board, affix the same to any instrument requiring it, and when so affixed, it shall be attested by his/her signature or by the signature of an Assistant Secretary-Treasurer.

The Secretary-Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors.

The Secretary-Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements. He/she shall keep and maintain the Corporation's books of account and shall render to the President and Directors an account of all of his/her transactions as Treasurer and of the financial condition of the Corporation and exhibit the books, records and accounts to the President or Directors at any time. He/she shall disburse funds for capital expenditures as authorized by the Board of Directors and in accordance with the orders of the President. He/she shall present to the President for his/her attention any requests for disbursing funds if in the judgment of the Secretary-Treasurer any such request is not properly authorized. He/she shall perform such other duties as may be directed by the Board of Directors or by the President.

If required by the Board of Directors, he/she shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of office and for the restoration to the Corporation, in case of death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his/her possession or under his/her control belonging to the Corporation.

There may be assistant secretaries and/or assistant treasurers to assist the Secretary-Treasurer in the performance of his/her duties.

The Board may appoint an employee of the Corporation to take minutes of any meeting as directed by and responsible to the Secretary-Treasurer.

7. GENERAL MANAGER

The Corporation shall not be required to have a general manager; however, a general manager, elected by a majority vote of the Board, may handle the business of the Corporation under the direction of the Board of Directors. The general manager shall be employed at a salary to be fixed by the Board of Directors. The general manager shall perform such duties and for such term of office as shall be fixed by majority vote of the Board of Directors.

The general manager shall not have authority to expend the funds of the Corporation in excess of \$5,000 per expenditure without prior approval of the Board of Directors unless otherwise necessary for emergencies to avoid contamination of the water supply, disruption of service or permanent damage or injury to persons or property.

The general manager shall not have authority to sell or dispose of the assets of the Corporation that are of no further benefit to the Corporation with a salvage or net book value in excess of \$5,000 without prior approval of the Board of Directors.

8. COMPENSATION

Directors shall not be paid any salary. Officers may be paid salaries commensurate with their duties and obligation but in no event shall their compensation exceed \$5000 per annum. The Board of Directors shall set the General Manager's salary.

9. CONFLICT OF INTEREST

An Officer shall be prohibited from providing goods or services to the Corporation by reason of their office. An Officer has an affirmative duty to exercise reasonable due diligence to investigate and disclose to the Board of Directors any real or apparent conflicts of interests or pecuniary interests he may have on a matter affecting the Corporation or its Members.

10. GOOD FAITH RELIANCE

In conducting their duties as Officers, each Officer (1) shall be entitled to rely, in good faith and with ordinary care, on information, opinions, reports or statements, including financial statements and other financial data, concerning the Corporation of the Corporation's affairs that have been prepared or presented by one or more Officers or employees of the Corporation; or by legal counsel, public accountants, registered engineers or other persons retained by the Corporation for the development of professional advice and information falling within such person's professional or expert competence; (2) may believe, in good faith and with ordinary care, that the assets of the Corporation are at least that of their book value; and (3) in determining whether the Corporation has made adequate provision for the discharge of its liabilities and obligations, may rely in good faith and with ordinary care on the financial statements of or other information concerning any person or entity obligated to pay, satisfy or discharge some or all of the Corporation's liabilities or obligations; and (4) may rely in good faith and with ordinary care on information, opinions, reports or statements by

one or more Officers or employees of the Corporation; or by legal counsel, public accountants, registered engineers or other persons retained by the Corporation provided that said Officer reasonably believes such matters fall within such person's professional or expert competence. Nevertheless, an Officer must disclose any knowledge which he may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

ARTICLE 11 - MEMBERSHIPS

1. CERTIFICATES OF MEMBERSHIP

The Certificates of Memberships of the Corporation shall be numbered and shall be entered in the Corporation as they are issued. They shall exhibit the holder's name and shall be signed by the President or Secretary-Treasurer and shall be sealed with the seal of the Corporation or a facsimile thereof. In case any Officer or Officers who shall have signed or whose facsimile signature or signatures shall have been used on any such certificate or certificates shall cease to be such Officer or Officers of the Corporation, whether because of death, resignation or otherwise, before said certificate or certificates shall have been issued, such certificate may nevertheless be issued by the Corporation with the same effect as though the person or persons who signed such certificates or whose facsimile signature or signatures shall have been used thereon had been such Officer or Officers at the date of its issuance. Certificates shall be in such form as prescribed from time to time by the Board of Directors and in conformity to controlling laws.

The Corporation may appoint from time to time agents and registrars who shall perform their duties under the supervision of the Secretary-Treasurer.

2. TERMINATION OF MEMBERSHIPS

The membership rights of any subscriber(s) to utility service from the Corporation shall automatically terminate upon the occurrence of any event or change of circumstances which would disqualify the person from membership as provided by these by-laws, including but not limited to, the sale of the membership real property to which his/her membership is tied or the expiration of the leasehold at which service is received. The Board of Directors, by affirmative vote of a majority of all Directors, may suspend or expel any Member who is, or whose tenant or other occupier of the Member's fee simple real property is, in default of the payment of scheduled rates and charges for a period of sixty (60) days after the same become lawfully due and payable or who violates the prescribed terms and conditions of service applicable to all customers for so long as such violations occur.

3. TRANSFER OF MEMBERSHIP

(a) A person who owns a membership in the Corporation may not sell or transfer that membership to another person or entity except:

(1) by will to a transferee who is a person related to the testator within the second degree of consanguinity;

(2) by transfer without compensation to a transferee who is a person related to the owner of the membership within the second degree of consanguinity; or

(3) by transfer without compensation or by sale to the Corporation.

(b) Subsection (a) of this section does not apply to a person or entity that transfers the membership to another person as part of the conveyance of real estate from which the membership arose. In such cases the transferee must still qualify for membership as provided herein and pay all applicable membership fees.

(c) The transfer of membership under this section does not entitle the transferee to water service unless each condition for water service is met as provided in the Corporation's published rates, charges and conditions of service.

(d) The Corporation may, consistent with the limitations prescribed by subsection (a) of this section, reassign a canceled membership to any person or entity that has legal title to the real estate from which the canceled membership arose and for which water service is requested, subject to compliance with the conditions for water service in the Corporation's published rates, charges and conditions of service.

4. REGISTERED MEMBERS

The Corporation shall be entitled to treat the holder of record of any membership or Certificate of Membership as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to or interest in such membership on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

5. LOST CERTIFICATE

The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the

Corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate to be lost. When authorizing such issue of a new certificate or certificates, the Board of Directors in its discretion and as a condition precedent to the issuance thereof, may require the owner of such lost or destroyed certificate or certificates or his/her legal representative to advertise the same in such manner as it shall require to give the Corporation a bond with surety and in form satisfactory to the Corporation [which bond shall also name the Corporation's agent(s) and registrar(s), if any, as obligees] in such sum as it may direct as indemnity against any claim that may be made against the Corporation or other obligees with respect to the certificate alleged to have been lost or destroyed, or to advertise and also give such bond.

6. MEMBERSHIP FEES

A membership fee of TWO HUNDRED FIFTY DOLLARS (\$250.00) shall be charged for all memberships. Notwithstanding anything herein to the contrary, the Board of Directors shall be authorized to exchange memberships without the payment of the standard membership fee for property of equal or greater value that benefits the Corporation and enhances its ability to serve the public. All applicants for restored service whose memberships have been forfeited to the Corporation shall pay a membership fee of \$250.00 in addition to any applicable reconnection charges. All transferees of memberships as provided by these by-laws shall pay a membership fee of \$100.00. A membership fee and service application shall be required for each service connection requested regardless of whether the applicant already holds a membership. Membership fees are non-refundable.

The Board of Directors may set and revise the membership fee as it may determine to be appropriate. In no event, shall the membership fee exceed twelve (12) times the monthly minimum water service fee for customers in the lowest rate customer class. The Board of Director shall establish deferred payment plans for the payment of initial membership fees for new service applicants or existing customers receiving service without a membership upon whom a one-time payment of the membership fee creates a financial hardship. These plans shall require the payment of not less than one-half of the membership fee down with the remainder being paid in three (3) equal installments plus the customer's normal monthly utility service bill for the next three months thereafter. Deferred payment plans (of any type or purpose) shall be applied equally to all persons regardless of age, race, color, creed, sex or other federally protected status.

ARTICLE 12 - DEPOSITORY

The Board of Directors shall select as depository for the funds of the Corporation, a bank(s) within the State of Texas which is insured with the Federal Deposit Insurance Corporation and shall require of said depository such bond as the Board deems necessary for the protection of the Corporation; and such funds as the Board of Directors may from time to time allocate to a sinking fund for replacement, amortization of debts and the payment of interest which shall not be required to be expended within the year in which the same is deposited shall be invested in bonds or other evidence of indebtedness of the United States of America or deposited at interest with the Federal Deposit Insurance Corporation in a savings account.

ARTICLE 13 - FINANCIAL RESERVES

The Board of Directors may establish and operate such financial reserves, sinking funds or debt service accounts as may be reasonably necessary to prudent and conservative financial management of the Corporation or to comply with loan or bond covenants entered into between the Corporation and its creditors. Such financial reserves shall not be of such an amount so as to jeopardize the non-profit nature and standing at law of the Corporation.

Subject to such restrictions as may exist under the laws of Texas or of the United States, the Board of Directors may encumber the assets of the Corporation by reasonable liens or security interests as provided by the loan or bond covenants entered into between the Corporation and its creditors. When encumbered, the assets of the Corporation may not be sold, conveyed or disposed of without notice to and permission from the creditor holding such liens or security interests as provided in the loan or bond covenants, except as may otherwise be provided by law and/or the sale and distribution of potable water in the ordinary course of business.

Should the Corporation become indebted to the Texas Water Development Board, Rural Development/Rural Utilities Service, their successor agencies or other state or federal financial institution and such indebtedness is evidenced by bonds or loans, the Board of Directors shall be expressly empowered to adopt such standard and customary water supply service corporation bond or loan resolutions as may be required by the Texas Water Development Board, Rural Development/Rural Utilities Service, their successor agencies or other state or federal financial institution as a condition of such indebtedness. Any provisions contained therein which conflicts with loan agreements executed by TOWSC, so long as the loan remains outstanding, the loan agreement shall prevail.

ARTICLE 14 - MISCELLANEOUS

1. INFORMAL ACTION

No action required to be taken or which may be taken at a meeting of the Members, Directors or Members of committees, may be taken without a meeting. All actions and votes taken shall be duly recorded in the minutes and records of the Corporation.

2. SEAL

The Board of Directors shall provide a corporate seal, which shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and the words "Corporate Seal of August Lakes Water Supply Corporation."

3. BOOKS AND RECORDS

The Corporation shall keep correct and complete books and records of accounts and shall also keep minutes of the proceedings of its Members, Board of Directors and committees having the authority of the Board of Directors. The Corporation shall keep at the registered or principal office a record giving the names and addresses of the Members entitled to vote. All books and records of the Corporation may be inspected by any Member or his/her agent or attorney for any proper purpose at any reasonable time when so requested in writing.

With prior written request, corporate records, books and annual reports, subject to exceptions provided by the Texas Open Records Act, including any amendments thereto, shall be available for public inspection and copying by the public or their duly authorized representatives during normal business hours subject to reasonable charge for the preparation of copies.

In the event of any conflict between the provision of the Open Records Act and the provisions of these By-laws, the provisions of the Open Records Act shall prevail.

4. CHECKS

Any two (2) authorized Directors or one (1) Director and the General Manager shall sign all checks or demands for money and notes of the Corporation.

6 DIRECTORS' ANNUAL STATEMENT

The Board of Directors shall present at each annual meeting of Members a full and clear statement of the business and condition of the Corporation. If required by resolution of the Board of Directors or as a condition of indebtedness to any creditor, such report shall be prepared by an independent Certified Public Accountant. An annual audit is required.

7. AMENDMENTS

These by-laws may be altered, amended or repealed in whole or in part by the affirmative vote of a majority of the Board of Directors at a regular or special meeting of the membership at which such vote is taken.

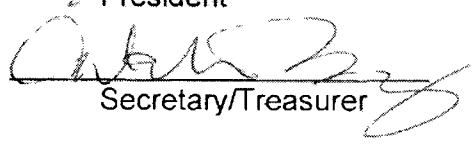
For so long as the Corporation is indebted for a loan or loans made by or through the Texas Water Development Board, USDA Rural Development, their successor agencies, these by-laws shall not be altered, amended or repealed without the prior written consent of the General Fund Manager (or equivalent designated agency representative) of the Texas Water Development Board, USDA Rural Development, their successor agencies. If the Corporation becomes indebted to another state or federal financial institution and said creditor requires similar limitations on the amendment of these by-laws as a condition precedent to necessary debt financing, amendment of these by-laws shall be restricted as set forth in the loan agreement.

ADOPTED THE 2nd DAY OF July, 2014



President

Attested.



Secretary/Treasurer

ATTACHMENT "B"
NEED FOR SERVICE

AUGUST LAKES WATER SUPPLY CORPORATION

ATTACHMENT B

NEED FOR SERVICE

Todd Fogelsong proposes to develop approximately 146 acres in Waller County into a 58 lot subdivision which will be called August Lakes Estates. August Lakes Water Supply Corporation has been created as a member-owned, member-controlled cooperative corporation to own and operate the proposed water system. There are no other entities in the proximate area that are able to provide water service to August Lakes Estates.

Todd Fogelsong had been in negotiations with nearby Westside Water, LLC to serve water to August Lakes Estates. Westside Water, LLC was going to construct, own and operate a new water system to serve the proposed Mustang Estates subdivision just to the north of the proposed August Lakes Estates subdivision. Construction was about to begin on the new Westside Water, LLC water system when the developer of Mustang Estates unexpectedly passed away. The Mustang Estates development and construction of the new water system, which would have had the capacity to service the proposed August Lakes Estates subdivision, have been put indefinitely on hold. It is for this reason that August Lakes Estates proposed this new Certificate of Convenience and Necessity.

Tariff

OF

AUGUST LAKES WATER SUPPLY CORPORATION

**AUGUST LAKES WATER SUPPLY CORPORATION
3310 LAKES OF KATY LANE
KATY, TX 77493
281-850-3067**

TABLE OF CONTENTS

SECTION A.

RESOLUTION AND AUTHORITY

1. Date Tariff is Effective
2. Pre-existing Contracts
3. Enforcement of Policies
4. To Obtain an Official Copy of this Tariff
5. Federal, State, and Local Jurisdiction

SECTION B.

STATEMENTS

1. Organization
2. Non-Discrimination Policy
3. Policy and Rule Application
4. Corporation Bylaws Adoption
5. Fire Protection Responsibility
6. Damage Liability
7. Information Disclosure in Accordance with the Texas Open Records Act
8. Customer Notice Provisions
9. Grievance Procedures for Members/Applicants
10. Plumbing Standards, Requirements, and Authority
11. Submetering Responsibility and Master Metered Accounts
12. Threats to Utility Personnel or Plant
13. Wholesale Water Service
14. Standards for Construction
15. Antennas on Corporation Property

SECTION C.

DEFINITIONS

Active Service (see Section E. 1.)
Applicant
Board of Directors
Bylaws
Capital Recovery Fee (also see Section G. 5, Miscellaneous)
Certificate of Convenience and Necessity (CCN)
Corporation (also see Section B. 3)
Disconnection of Service (also see Section E. 14.)
Easement; Right of Way (also see Section E. 2. c. (2))
Final Plat; Plan, Map of Extension Area (also see Section F. 4. b)
Hazardous Condition
Indication of Interest Fee (see Section E. 6. b. and Service Agreement)
Liquidated Membership (see Section E. 6. e.)
Member (see Bylaws, Section E. 6. b.)
Membership Certificate (Section E. 6. b.)
Membership Fee (see Section G. 2.)
Proof of Ownership
RUS (Rural Utilities Service)
Renter (see Section E. 7.)
Re-Service (see Section E. 3. b., E. 4. b., Miscellaneous)
Reserved Service Charge (see Section G. 6. b.)
Service Availability Charge (see Section G. 6. a.)
Service Application and Agreement (see Sample Application Packet)

Service Unit
Tariff
Temporary Service (see Section E. 6. b. Note 2)
Texas Commission on Environmental Quality (TCEQ)
Transferee (see Section E. 6. c.)
Transferor (see Section E. 6. c.)

SECTION D.

GEOGRAPHIC AREA SERVED

Certificate of Convenience and Necessity
Map

SECTION E.

SERVICE RULES AND REGULATIONS

1. Service Entitlement
2. Application Procedures and Requirements (Sample Application Packet)
 - a. Standard Service
 - b. Non-Standard Service
 - c. Requirements for Standard and Non-Standard Service
3. Activation of Standard Service
 - a. New Tap
 - b. Transfer Fee
 - c. Performance of Work
 - d. Inspection of Customer Service Facilities (G. 20.)
4. Activation of Non-Standard Service
 - a. Activation as Per Section F. of this Tariff
 - b. Re-Service of Non-Standard Service
5. Changes in Service Classification (also see Temporary Service E. 6. b., Note 2)
6. Membership
 - a. Eligibility
 - b. Membership Certificates (Section C., G. 2.)
 - c. Transfers of Membership (Miscellaneous Transaction Forms)
 - d. Cancellation of Membership (Section B. 3.)
 - e. Liquidation Due to Delinquency
 - f. Cancellation Due to Policy Non-Compliance
 - g. Re-Assignment of Canceled Membership
 - h. Mortgaging of Memberships (Miscellaneous Transaction Forms)
7. Owners and Renters (Section C., Miscellaneous Transaction Forms)
8. Denial of Service
 - a. Failure to Pay Fees and Complete Forms (Section B. 3, E. 1., E. 2. c., E. 3.)
 - b. Failure to Comply with Rules and Policies
 - c. Existence of Hazardous Condition (Section C.)
 - d. Failure to Allow Access to Property
 - e. Failure to Comply with State and Federal Rules and Regulations
 - f. Failure to Provide Proof of Ownership (Section E. 2. c. (6))
 - g. Applicants Service Facilities (Section E. 10. c., E. 14. a.(3), E. 23. b.)

9. Applicant's or Transferee's Recourse
10. Insufficient Grounds for Refusal of Service
 - a. Delinquency by Previous Occupant
 - b. Failure to Pay for Underbilling of Longer than 6 Months
 - c. Violation of Corporation's Without Notice
 - d. Failure to Pay Bill of Another Customer as Guarantor
 - e. Failure to Pay Bill of Another Customer at same Address
 - f. Failure to Comply with Other Rules
11. Deferred Payment Agreement (Miscellaneous Transaction Forms)
12. Indigent Care Policy
13. Charge Distribution and Payment Application
 - a. Service Availability Charge (see Section G. 6. a.)
 - b. Gallonage Charge (see Section G. 6. c.)
 - c. Posting of Payments
14. Due Dates, Delinquent Bills, and Service Disconnection Date
15. Rules for Disconnection of Service
 - a. Disconnection with Notice (Section E. 8.)
 - b. Disconnection without Notice (Section E. 8. c.)
 - c. Disconnection Prohibited (Section E. 10.)
 - d. Disconnection on Holidays and Weekends
 - e. Disconnection Due to Utility Abandonment
 - f. Disconnection for Ill and Disabled
 - g. Disconnection of Master Metered Accounts and Non-Standard Sewer Services
 - h. Disconnection of Temporary Service (Section C., E. 6. b.)
16. Billing Cycle Changes
17. Back-Billing
18. Disputed Bills
19. Inoperative Meters
20. Bill Adjustment Due to Meter Error
21. Other General Service Regulations
 - a. Payments at Business Office
 - b. Cut Off Valves
 - c. Backflow Preventers
 - d. Damage Liability
 - e. Appeals
 - f. Tap Fee Increases
 - g. Access to Premises
 - h. Cross Connections Prohibition
 - i. Returned Water Prohibition
 - j. No Assignment
 - k. Declaration of Corporation Property
22. Meter Tampering and Diversion
23. Meter Relocation
24. Prohibition of Multiple Connections to a Single Tap
25. Member's Responsibility
 - a. Member to Provide Access to Meter
 - b. Member is to Comply with All On-Site Plumbing Requirements for Traps
 - c. Member Owning More than One Membership
 - d. Extent of Corporation's Ownership and Maintenance
 - e. Cut Off Valve Required
26. Member Responsibility for Meter Access
27. Main Extension Policy

SECTION F.

**DEVELOPER, SUBDIVISION, and
NON-STANDARD SERVICE REQUIREMENTS**

1. Corporation's Limitations
2. Purpose
3. Application of Rules
4. Non-Standard Service Application (see Sample Application Packet)
5. Design
6. Non-Standard Service Contract
7. Property and Right-of-Way (See Sample Application Packet)
8. Bids For Construction
9. Pre-Payment For Construction and Services
10. Construction
11. Corporation's Obligation for Service

SECTION G.

RATES AND SERVICE FEES

1. Service Investigation Fee
 - a. Standard Service Request (Section E. 1., E. 2.)
 - b. Non-Standard Service Request (Section F.)
2. Membership Fee
3. Easement Fee (Sample Application Packet)
4. Installation Fee
 - a. Standard Service Fee
 - b. Non-Standard Service Fee
 - c. Standard and Non-Standard Service Installations
5. Capital Recovery Fee, Meter Inspection Fee, Engineering Fee, Membership Fee and Meter Installation Fee
6. Monthly Charges
 - a. Water Service Availability Charge (Section C.)
 - b. Reserved Service Charges (Section C., also Miscellaneous Section)
 - c. Gallonage Charge
 1. Residential Customers
 - d. TCEQ Regulatory Assessment
7. Late Payment Fee
8. Owner Notification Fee (Miscellaneous Transaction Form)
9. Mortgagee/Guarantor Notification Fee (Miscellaneous Transaction Form)
10. Returned Check Fee (Miscellaneous Transaction Form)
11. Seasonal Reconnect Fee
12. Field Service Fees
 - a. Disconnect
 - b. Reconnect
 - c. Removed Meter/Replaced Meter
13. Equipment Damage Fee
14. Customer History Fee
15. Meter Test Fee (Miscellaneous Transaction Fee)
16. Transfer Fee (Miscellaneous Transaction Fee)
17. Membership Certificate Copy Fee
18. Non-Disclosure Fee
19. Information Disclosure Fee
20. Franchise Collection Fee
21. Other Office Service Fees
 - a. Meter Re-read Fee
 - b. Service Call Fees
 - c. Meter/Tap Relocation Fee
 - d. Locked Meter Charge
22. Other Services Fees

SECTION H.

**EMERGENCY WATER DEMAND MANAGEMENT PLAN
AND EMERGENCY RATIONING PROGRAM**

1. Introduction
2. Trigger Conditions
3. Stage Levels of Rationing
4. Initiation and Termination Procedures
5. Penalties for Violations
6. Exemptions or Waivers
7. Implementation

SAMPLE APPLICATION PACKET

1. Standard Application and Agreement Form (USDA Form RUS-TX 1942-11) (Rev. 8/96)
2. Specific Type Right-of-Way Easement (Form FmHA 442-8)
3. General Type Right-of-Way Easement (Form FmHA 442-9)
4. Non-Standard Application and Agreement
5. Agreement for Temporary Water Service

MISCELLANEOUS TRANSACTION FORMS

1. Alternate Billing Agreement for Rental Accounts
2. Confidentiality of Utility Records Form
3. Customer Notice (For Rationing)
4. Membership Mortgage Agreement
5. Membership Transfer Authorization
6. Meter Test Authorization and Test Report
7. Notice to Owner of Rental Property
8. Notice of Requirement to Comply with the Subdivision and Service Extension Policy
9. Notice of Returned Check
10. Request for Service Discontinuance
11. Right-of-Way Easement Denial Form and Affidavit
12. Termination Notice

MISCELLANEOUS

1. Tariff Filing Requirements (TCEQ)
2. Capital Recovery Fee Statement
3. AWWA Equivalency Chart
4. Sanitary Control Easement Form
5. Required Specifications for Plant and Facilities Construction

Tariff

OF

**AUGUST LAKES WATER
SUPPLY CORPORATION**

SECTION A. **RESOLUTION AND AUTHORITY**

SECTION A.

RESOLUTIONS

THE BOARD OF DIRECTORS OF AUGUST LAKES WATER SUPPLY CORPORATION ESTABLISHES THAT:

1. This Tariff of the August Lakes Water Supply Corporation, serving in Fort Bend County, Texas consisting of Sections A. through H. and forms inclusive, is adopted and enacted as the current regulations and policies.
2. Only those preexisting written contracts or agreements executed by the present or previous Board of Directors shall remain in effect, unless the contract or agreement requires compliance with changes of the tariff from time to time.
3. The adoption of this tariff does not prohibit or limit the Corporation from enforcing previous penalties or assessments from before the current effective date.
4. An official copy of this and all policies or records shall be available during regular office hours of the Corporation. The Secretary of the Corporation shall maintain the original copy as approved and all previous copies for exhibit.
5. Rules and regulations of state or federal agencies having jurisdiction shall supersede any terms of this policy. If any section, paragraph, sentence, clause, phrase, word, or words of this policy are declared unconstitutional or invalid for any purpose, the remainder of this policy shall not be affected.
6. The effective date of this tariff revision and all rate and fee changes herein shall be August 18, 2014.

PASSED and APPROVED by unanimous vote of the Board of Directors on August 18, 2014.

President, August Lakes Water Supply Corporation

SEAL

ATTEST:

Secretary, August Lakes Water Supply Corporation

Tariff

OF

**AUGUST LAKES WATER
SUPPLY CORPORATION**

SECTION B. STATEMENTS

SECTION B.

STATEMENTS

1. **Organization.** The August Lakes Water Supply Corporation is a member-owned, non-profit corporation incorporated pursuant to the Water Supply/Sewer Service Corporation Act, Texas Water Code, Chapter 67 (formerly VATCS, Article 1434a) and as supplemented by the Texas Non-Profit Corporation Act, VATCS, Article 1396-1.01, *et seq.* (as amended) for the purpose of furnishing potable water utility service. Corporation operating policies, rates, and regulations are adopted by the Board of Directors elected by the Members of the Corporation.
2. **Non-Discrimination Policy.** Membership in the Corporation and service is provided to all Applicants who comply with the provisions of this Tariff regardless of race, creed, color, national origin, sex, disability, or marital status.
3. **Policy and Rule Application.** These policies, rules, and regulations, in conjunction with the Corporation's articles of incorporation and bylaws, apply to the water provided by the August Lakes Water Supply Corporation, also referred to as Corporation, WSC, or ALWSC. Failure on the part of the Member, Consumer, or Applicant to observe these policies, rules and regulations gives the Corporation the authority to deny or discontinue service according to the terms of this Tariff as amended from time to time by the Board of Directors of the Corporation.
4. **Corporation Bylaws.** The Corporation Members have adopted bylaws (see Article 1396-2.09) that establish the make-up of the Board of Directors and other important regulations of the Corporation. The bylaws are on file at the Corporation's office.
5. **Fire Protection Responsibility. No Fire Protection Responsibility or Liability.** Fire hydrants installed within the Corporation's water distribution system are provided at the convenience of the Corporation and do not imply any responsibility on the part of the Corporation to meet fire flow requirements of local, county, state, or federal governmental agencies. Such fire hydrants are support facilities only meant to be used as flush and control valves in the public drinking water system. State public health and safety regulations require public drinking water systems to be flushed on a routine basis and metallic flush valves (commonly referred to a "fire hydrant") are a preferred manner of complying with these regulations. The Corporation makes no representation that it is offering fire protection or fire flows under any fire code or fire fighting standard. The Corporation has no obligation at law to provide water for fire related activities because this is not a public water Corporation or potable domestic water service as defined by the Texas Water Code and/or the Texas Health and Safety Code. The Corporation, at its sole option, may permit local area fire departments to use water from its public drinking water system on an "AS IS, AS AVAILABLE" basis and will in no manner be liable for damages caused by its inability to supply sufficient water for the prevention or suppression of fire. Any fire department or other person using the Corporation's water system to take water for fire fighting purposes shall be liable to the Corporation for damage caused to the Corporation's plant and equipment during such use, especially for, but not limited to, damage to pumps caused by

improperly opening and closing hydrants/valves under pressure or damage for driving heavy vehicles over water lines. The Corporation reserves the right to remove any fire hydrant (metallic flush valve), due to improper use or detriment to the system as determined by the Corporation, at any time without notice, refund, or compensation to the contributors. Any water taken from the Corporation's water system for any purpose, including fire fighting, without prior knowledge and consent of the Board of Directors and/or the General Manager shall be deemed to be theft and shall be prosecuted. Fire Departments may obtain advanced consent for emergency usage on an "AS IS, AS AVAILABLE" basis.

The Corporation is not required by law and does not provide fire prevention or fire fighting services. The Corporation 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 Corporation may (but is not required to) contract with individual customers/applicants to provide water service capacities to their properties in excess of the TCEQ's domestic water system regulations so that such water volumes and pressures may be used by the customer/applicant or local fire department (at their sole election and responsibility) for fire fighting purposes. Such additional water service capacities shall be provided only in response to and according to design criteria and/or plans prepared by the customer/applicant's registered professional engineer. Notwithstanding any understanding or intent of such customer/applicant for the use of such excess water service capacity, The Corporation does not profess, state, warrant, guarantee, or imply that such additional water service capacity is, or shall ever be, adequate or sufficient for fire fighting. The Corporation neither possesses nor claims to possess knowledge or expertise in fire fighting or the requirements of fire fighting. No statement or action of the Corporation shall ever be implied or meant to suggest that any facilities of the Corporation comply with any state or local fire code.

6. ***Damage Liability.*** The August Lakes WSC is not liable for damages caused by service interruptions, events beyond its control, and for normal system failures. 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 limit of liability of the WSC is the extent of the cost of service provided. By acceptance of Membership, Member consents to waiver of such liability. The utility is not required by law and does not provide fire prevention 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.
7. ***Information Disclosure.*** The records of the Corporation shall be kept in the Corporation office at 3310 Lakes of Katy Lane, Katy, Texas 77493. All information collected, assembled, or maintained by or for the Corporation shall be disclosed to the public in accordance with the Texas Open Records Act. An individual customer may request in writing that their name, address, telephone number, or social security number be kept confidential. Such confidentiality does not prohibit the utility from disclosing this information to an official or employee of the state or a political subdivision of the state acting in an official capacity or an employee of the Corporation acting in connection with the employee's duties. Further, such confidentiality does not prohibit the Corporation from disclosing the name and address of each member on a list to be made available to the Corporation's voting members, or their agents or attorneys, in connection with a meeting of the Corporation's members. The Corporation shall give its applicants and customers notice of rights to confidentiality under this policy and all prevailing associated fees for such request.

8. **Customer Notice Provisions.** The Corporation shall give written notice of monthly rate changes by mail or hand delivery to all consumers at least 30 days prior to the effective date of the new rate. The notice shall contain the old rates, new rates, effective date of the new rate, date of Board authorization, and the name and phone number of the Corporation's contact person designated to address inquiries about the rate change.
9. **Grievance Procedures.** Any Member of the Corporation or individual demonstrating an interest under the policies of this Tariff in becoming a Member of the Corporation shall have an opportunity to voice concerns or grievances to the Corporation by the following means and procedures:
- a. By presentation of concerns to the Corporation's manager or authorized staff member. If not resolved to the satisfaction of the aggrieved party then,
 - b. By presenting a letter to the Board of Directors stating the individual's grievance or concern and the desired result.
 - c. The Board of Directors shall respond to the complaint by communicating the Board's decision in writing.
 - d. Any charges or fees contested as a part of the complaint in review by the Corporation under this policy shall be suspended until a satisfactory review and final decision has been made by the Board of Directors.
10. **Plumbing Standards.** The Corporation adopts applicable sections of the Uniform Plumbing Code as guidance in the design, installation, and maintenance of plumbing systems and service facilities connecting or connected to the utility's water facilities, to the extent appropriate under the applicable statutes and regulations governing public water and sewer utility systems. Any Member may be required to retrofit plumbing systems and service facilities as determined to be necessary by the Corporation for the purposes of compliance with the Uniform Plumbing Code. (30 TAC 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, any applicable municipal plumbing codes 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 that provides water for human use. No solder or flux that contains more than 0.2% lead can be used at any connection that provides water for human use.
11. **Submetering Responsibility.** Submetering and Non-Submetering by Master Metered Accounts may be allowed in the Corporation's water distribution system provided the Master Metered Account customer complies with the Texas Commission on Environmental Quality's Chapter 291 Subchapter H rules pertaining to Submetering. The Corporation has no jurisdiction or responsibility to the tenants; tenants receiving water under a Master Metered Account are not considered customers of the Corporation. Any interruption or impairment of water service to the tenants is the responsibility of the Master Metered Account Customer. Any complaints regarding

submetering should be directed to the Texas Commission on Environmental Quality.

12. ***Threats to Utility Personnel or Property.*** Threats to utility personnel or other actions which prevent the lawful conduct of utility business on utility property, easements or rights of entry shall result in immediate discontinuance of utility service until the condition is corrected or the threat is permanently removed. Threats to or assaults upon utility personnel shall result in criminal prosecution.
13. ***Wholesale Water Service.*** The Corporation shall provide wholesale water service to another state-approved retail public water utility **only** when, and under such terms and conditions, as are approved by the Board of Directors on a case-by-case basis. Nothing in this tariff shall be deemed to indicate, warrant or express any ability or willingness of the Corporation to provide wholesale service to anyone at any time. Such service shall be provided only in compliance with a lawful and final regulatory or court order or when providing such service will not diminish the Corporation's ability to provide continuous and adequate service to affected portions of its certificated service area within the sole discretion of the Corporation's Board of Directors.
14. ***Standards for Construction.*** Unless otherwise approved by the Board of Directors, all plant, facilities, equipment, lines, controls and other appurtenances to the water system shall be constructed according to the uniform standards of construction prepared by the Corporation's consulting engineer. In addition, the Corporation adopts all applicable sections of the TCEQ's Rules and Regulations for Public Drinking Water Systems (30 Texas Administrative Code 290.38 *et seq.*) as its minimum standards throughout its entire certificated service area.
15. ***Antennas on Corporation Property.*** The Corporation's lawful purposes are specifically set forth in the article of incorporation and by-laws. Primary among these purposes is the provision of state-approved potable drinking water to the public. The authorized purposes do not include leasing, renting or giving access to or use of Corporation property (real or personal) to third parties for the purpose of installing, maintaining or operating of any type antenna for that party's economic benefit. While the Corporation wishes the economic success of all business enterprises within its service area, the Corporation is not in the lawful business of assisting private third parties earn economic benefit through their use of Corporation property.

It is the official policy of the Corporation that no third party shall erect, operate or maintain any type of antenna or other communication devise on Corporation property.

This policy is based upon the Corporation's concerns with and intent to avoid the following:

- a. Third party entrance or access to Corporation well, pump or storage sites without the accompaniment of a licensed water system operator hired by the Corporation, which might create a potential or actual threat to the public water supply.
- b. Damage to Corporation property from the installation and maintenance of third party equipment.
- c. Safety hazard to any person working on or about Corporation property caused by the presence or operation of third party equipment.

- d. Interference with the Corporation's SCADA and other electronic equipment.
- e. Increased potential for lightning strikes to Corporation property.
- f. Lack of direct benefit to Corporation members from third party use of Corporation property.

Exceptions to this policy may be granted by the Corporation's Board of Directors only on a case-by-case basis for the installation of communication antennas by or for the direct use of local area emergency service providers or law enforcement agencies. This non-profit use is deemed to be of a general benefit to all Corporations members in the service area.

Tariff

OF

**AUGUST LAKES WATER
SUPPLY CORPORATION**

SECTION C. DEFINITIONS

SECTION C.

DEFINITIONS

Active Service -- Status of any Member receiving authorized service under the provisions of this Tariff.

Applicant -- Person, partnership, cooperative corporation, corporation, agency, public or private organization of any type or combination thereof applying for service with the August Lakes Water Supply Corporation.

Board of Directors -- The governing body elected by the Members of the August Lakes Water Supply Corporation. (Art. 1396-1.02 (7))

Bylaws -- The rules pertaining to the governing of the August Lakes Water Supply Corporation adopted by the Corporation Members. (Art. 1396-1.02 (5))

Capital Recovery Fee -- A fee assessed of new Applicants for service for the purpose of acquiring capital to defray the costs of expanding the system facilities in order to meet the customer growth needs of the Corporation or to reimburse the Corporation for existing capacity being reserved and used by a new service applicant. This fee is charged for each meter equivalent or service unit for which service has been requested. The terms "equity buy-in fee" and "impact fee" whenever used in this tariff shall mean the capital recovery fee. (Section G. 5., also see Miscellaneous)

Certificate of Convenience and Necessity (CCN) -- The authorization granted under Chapter 13 Subchapter G of the Texas Water Code for August Lakes Water Supply Corporation to provide water utility service within a defined territory. August Lakes Water Supply Corporation has been issued Certificate Number 10297. Territory defined in the CCN shall be the Certificated Service Area. (See Section D. Certificated Service Area Map)

Corporation -- The August Lakes Water Supply Corporation. (Section B. 3 of this Tariff)

Disconnection of Service -- The discontinuance of water service by the Corporation to a Member/Customer.

Easement -- A private perpetual dedicated right of way for the installation of water pipelines and necessary facilities, which allows access to property for future operation, maintenance, facility replacement, and/or installation of additional pipelines. Easements may also be granted to provide ingress and egress to property owned or controlled by the Corporation, i.e., driveway easements to water well sites. Easements may be granted to provide access to private property for the purpose of inspecting, testing, repairing and maintaining utility plant and/or private plumbing on the premises. All easements must be recorded in the real property records of the county in which the property in question is located.

Final Plat -- A complete plan for the subdivision of a tract of land. The August Lakes Water Supply

Corporation shall determine if a plat submitted for the purpose of this Tariff shall qualify as a final plat. (30 TAC 291.85) A plat which has been approved and signed by all applicable municipal, county, state and federal agencies or political bodies shall be presumed to be a final plat absent any findings by to the contrary by the August Lakes WSC Board of Directors.

Hazardous Condition -- A condition that jeopardizes the health and welfare of the Members/Consumers of the Corporation as determined by the Corporation or regulatory authority. Any condition that is in or creates a violation of any public drinking water system rule of the Texas Commission on Environmental Quality or the United States Environmental Protection Agency shall automatically be deemed to be a hazardous condition unless otherwise certified by the applicable regulatory agency.

Indication of Interest Fee -- A fee paid by a potential Member of the Corporation for the purpose of determining the feasibility of a construction and /or expansion project. The Indication of Interest Fee may be converted to a Membership Fee upon determination that service to the Applicant is feasible and available. This also applies to applicants applying for, or receiving, Temporary Service. (Section E. 6. b., and Sample Application Packet - USDA Form RUS-TX 1942-11 (Rev. 8/96) and "Agreement for Temporary, Non-Potable Construction Water Service")

Liquidated Membership -- A Membership that has been canceled due to delinquent charges exceeding the Membership Fee or for other reasons as specified in this Tariff.

Member -- Any person, partnership, cooperative corporation, corporation, agency, or public or private organization that has qualified for service and received a Membership in accordance with the Corporation's Tariff. A "member" shall also be defined and/or restricted by the definition of this term in Texas Water Code 13.002(11) and 30 TAC 291.3.

Membership Certificate -- A non-interest bearing stock certificate purchased from the Corporation evidencing a Member's interest in the Corporation. (See Tariff Section E. 6 b and ART. 1396-2.08 D)

Membership Fee -- A fee qualified as such under the terms of the tariff and the bylaws of the Corporation assigned to the real estate designated to receive service. The membership fee shall be refundable upon termination of service and surrendering the Membership Certificate. (30 TAC 291.3 Definitions, Texas Water Code 13.043(g), Article 1434a, Tex. Rev. Civ. Stat. Sec. 9. A(c))

Proof of Ownership — Texas Water Code 67.016(d) gives authority to the Corporation to require ownership of real estate designated to receive service as a condition of membership and service. For the purpose of this tariff, applicants for service and membership shall provide proof of ownership by deed of trust, warranty deed, or other recordable documentation of fee simple title to real estate to be served. Renters may receive service only through memberships held and guaranteed by the fee simple owner of the property to be served.

Public Utility Commission - State regulatory agency having jurisdiction of water service utilities and appellate jurisdiction over the rates and fees charged by Non-Profit Water and Sewer Service Corporations. (30 TAC - Texas Administrative Code) on or after September 1, 2014.

Rural Utilities Service (RUS) -- An Agency of the United States Department of Agriculture Rural Development Mission Area, previously called Farmers Home Administration Mission Area (FmHA),

that provides loan and grant funds for development of rural water and sewer systems serving communities with a population of less than ten thousand (10,000) people, includes successor agencies.

Renter -- A consumer who rents or leases property from a Member or who may otherwise be termed a tenant. (Section E. 7.)

Re-Service -- Providing service to an Applicant at a location for which service previously existed. Costs of such re-servicing shall be based on justifiable expenses. (See Section E. 3. b., E. 4. b., Miscellaneous)

Reserved Service Charge -- A monthly charge assessed for each property where service is being reserved. (See Section F. 6. d., e)

Service Availability Charge -- (Also known as "minimum monthly charge", "minimum", or the "base rate") The monthly charge assessed each Member/Customer for the opportunity of receiving service. The Service Availability Charge is a fixed rate based upon the meter, service size, or equivalent dwelling unit(s). (See definition of Reserved Service Charge)

Service Application and Agreement -- A written agreement between the Member/Applicant and the Corporation defining the specific type of service requirements requested on the current service application and agreement form, and the responsibilities of each party required before service is furnished.

Service Unit -- The base unit of service used in facilities design and ratemaking. For the purpose of this Tariff, a service unit is a 3/4" SL water meter. (See Section G. 6. a., Miscellaneous)

Tariff -- The operating policies, service rules, service extension policy, service rates, rationing policies, sample application packet, and miscellaneous transaction forms adopted by the Board of Directors. A copy of this, Board approved, tariff is on file at the Corporation office and as required since September 1, 1989 at the State office of the TCEQ.

Temporary Service -- The classification assigned an applicant that is in the process of construction. This could also apply to service for uses other than permanent (agricultural, road construction, drilling, livestock, etc.). The Board will set the length of time associated with this classification. This classification will change to permanent service after requirements in Section E. 1, E. 2, E. 3, and E. 5 are met. Applicant must have paid an Indication of Interest Fee.

Texas Commission on Environmental Quality (TCEQ) -- (formerly the Texas Natural Resource Conservation Commission or TNRCC) State regulatory agency having jurisdiction of water service utilities and appellate jurisdiction over the rates and fees charged by Non-Profit Water Service Corporations. (30 TAC - Texas Administrative Code) before September 1, 2014.

Transferee -- An Applicant receiving a August Lakes WSC Membership by legal means from a person or entity desiring to forfeit and transfer current rights of Membership to another person or entity. (See Section E. 6 c., Miscellaneous Transaction Forms)

Transferor -- A Member who transfers Membership by legal means to another person or entity desiring to qualify for service at a property for which the Membership is currently issued or to the Corporation. (Texas Water Code 67.016)

Tariff

OF

**AUGUST LAKES WATER
SUPPLY CORPORATION**

SECTION D.

GEOGRAPHIC AREA SERVED

SECTION D.
GEOGRAPHIC AREA SERVED

MAP OF CCN AREA

Tariff

OF

**AUGUST LAKES WATER
SUPPLY CORPORATION**

SECTION E. SERVICE RULES AND REGULATIONS

SECTION E.

SERVICE RULES AND REGULATIONS

1. ***Service Entitlement.*** An Applicant shall be considered qualified and entitled to water utility service when proper application has been made, all terms and conditions of Service and Membership have been met and continue to be met, an executed customer service inspection certificate has been received by the Corporation's business office and all fees have been paid as prescribed. (30 TAC 291.85 (a))
2. ***Application Procedures and Requirements.*** For the purposes of this Tariff, service requested by an Applicant shall be for real estate designated to receive the service provided by the Corporation and shall be divided into the following two classes:
 - a. **Standard Service** is defined as service on an existing pipeline where pipeline or service facility extensions are not required and special design and/or engineering considerations are not necessary. Typically, this would include 3/4" SL sized water meter service set on existing pipelines. A Service Applicant requesting a one-inch or smaller meter for a single residential lot with a lawn sprinkler system shall be considered Standard Service.
 - b. **Non-Standard Service** is defined as any service request which requires a larger meter service, service to multiple meters on contiguous tracts under common ownership or control, service to a Master Metered Account (see E. 2. c. (4) of this section), or an addition to the supply, storage and/or distribution/collection system. Non-Standard Service shall also include the following: (1) Developers who divide a tract into two or more separate lots or who re-plat one or more lots in a recorded platted subdivision for purposes of resale to the public, (2) Developers or Commercial Enterprises who own two or more tracts or lots for purposes of resale to the public, (3) Builders or Contractors owning one or more tracts or lots for purposes of building and resale to the public, (4) Commercial Customers with service demands greater than residential service demands as quantified by the Standard Service definition in this Section, (5) Industrial Customers and (6) Wholesale Customers. The service requirements as prescribed by Section F of this Tariff shall be required of the Non-Standard Service Applicant prior to providing service.

Requirements for Standard and Non-Standard Service

- 1) The Corporation's Service Application and Agreement form shall be completed in full and signed by the Applicant. The Applicant shall grant the Corporation an ingress-egress easement into and across the property as a whole to allow Corporation personnel to service any and all water utility plant that may be constructed, operated and maintained on the property and to inspect private plumbing for hazards to the public water supply or other non-compliances with the Corporation's tariff and/or state regulations.
- 2) A right of way easement, sanitary control easement or other such easement form approved by the Corporation must be completed by the Applicant for the purpose of allowing service to the Applicant, future extensions or facility additions to improve or provide service to future applicants. Unless expressly waived by the Board of Directors for good cause due to the unique circumstances of the particular tract of land in question, all easements granted must be exclusive to the Corporation. The grantor may not allow any roadway reservation or right-of-way easement to overlap any portion of the utility pipeline easement regardless of the platting or roadway requirements of any governmental entity. If necessary to make a particular tract compliant with TXDoT or county roadway requirements and the exclusivity of the Corporation's easement, the Applicant shall be required to provide the Corporation with a new easement and to relocate the Corporation's utility plant into that alternate easement at its sole expense. If the Applicant, his heirs, successors or assigns are subsequently found to have granted any real property interest that conflicts with the Corporation's exclusive easement and/or the utility facilities located therein, the Applicant, his heirs, successors or assigns shall bear all costs of relocating the Corporation's facilities in a relocated easement, if necessary. This shall be a condition of continued service from the Corporation as an agreed remedy for breach of the Applicant's covenant of exclusivity of the easement that was granted as a

condition of obtaining that service. This covenant runs with the land in perpetuity with the chain of title.

- 3) The Applicant shall provide proof of ownership to property for which service has been requested in a manner acceptable to the Corporation. Proof of ownership shall consist of warranty deed, deed of trust or other recordable documentation of fee simple title to the real estate designated to receive service. (Texas Water Code 13.002 (11) and 67.016(d))
- 4) It is the Corporation's policy that each consuming facility using Corporation-supplied water be connected to the Corporation's water system through a Corporation-installed meter. The Corporation shall consider master metering to apartments, condos, trailer /RV parks, or business centers and other similar type enterprises at an Applicant's request provided the total number of units to be served all meet the following criteria and conditions:
 - (a) owned by the same person, partnership, cooperative, corporation, agency, public or private organization of any type but not including a family unit,
 - (b) directly inaccessible to public right-of-way,
 - (c) considered a commercial enterprise, i.e. for business, rental, or lease purposes, and not a configuration of individual habitations, workshops, storage buildings, warehouses or offices used for the benefit of family or friends of the property owner or lessee(s) for which regular monetary consideration is not collected
 - (d) are not otherwise readily or technically able to be individually metered
 - (e) master metering is permitted by TCEQ regulations or order
 - (f) owners of mobile home parks, trailer parks and recreational vehicle parks applying for water service must provide satisfactory evidence that all applicable sections of the TCEQ's Rules and Regulations for Public Drinking Water Systems (30 Texas Administrative Code 290.38 *et seq.*) have been complied with. Any facilities in business as of the effective date of this tariff revision (June 22, 2007) that are currently connected to August Lakes Water Supply Corporation and which desire to continue to receiving water service must furnish the General Manager with evidence that all of these requirements have been met.
- 5) Notice of application approval and costs of service determined by the Corporation shall be presented to the Applicant and shall remain in effect for a period not to exceed thirty (30) days. After that time the Applicant must re-apply for service. (30 TAC 291.81 (a) (1)) Quotations for the cost of construction of utility plant and/or upgrades that will be necessary to meet the service demands of the service application shall be good for the date of presentation only due to the variable market for needed materials and supplies. Following the date of quotation, materials and supplies for construction may include an adjustment to reflect current market prices.
- 6) If the water main has been located in the public right-of-way and is adjacent to Applicant's property due to the current or previous landowner's refusal to grant easement to the Corporation for the purpose of installing the water main and appurtenances, and the Corporation has documentation of such refusal recorded in public records file, the Applicant, prior to receiving the requested service, shall grant easement to the Corporation. In addition to the normally required fees for service, the Applicant shall pay such sums as are necessary for the removal of the water main from the public right-of-way and for relocation onto the Applicant's property pursuant to such easement.

3. ***Activation of Standard Service.***

- a. **New Tap** -- The Corporation shall charge a non-refundable service installation fee as required under Section G of this tariff. The service installation fee shall be quoted in writing to the Applicant. All fees shall be paid or a deferred payment contract be signed in advance of installation. (30 TAC 291.86 (a)(1)(A))

- b. **Transfer Fee** -- On property where service previously existed, the Corporation shall charge the Membership Fee, where the Membership Fee has been liquidated, and costs necessary to restore service. In addition, the Corporation shall charge accumulated Reserved Service Fees that have been entered on the inactive account as monthly debits. This is allowing the Corporation to recover the costs of reserving capacity at the location for which re-service has been requested. If restoration of service is not requested, this fee will accumulate monthly until the total balance of Reserved Service Fees equals the amount of the Capital Recovery Fee previously paid for service to the property. After this time, the Corporation may remove the service equipment and future request for service shall be treated as a new application.
 - c. **Performance of Work** -- After approval is granted by proper authorities, all tap and equipment installations specified by the Corporation shall be completed by the Corporation staff or designated representative.
 - d. **Inspection of Customer Service Facilities** -- The property of the Applicant/Member shall be inspected to insure compliance with state required Minimum Acceptable Operating Practices For Public Drinking Water Systems as promulgated by the Texas Commission on Environmental Quality or successor agency. (30 TAC 290.46(j)) It is the applicant's responsibility to have the property inspected by a qualified licensed inspector and to return the inspection certificate to the Corporation's business office. At its sole discretion, the Corporation may elect to allow its employees to perform inspections as independent contractors of the service applicant but not as employees or agents of the Corporation. When potential sources of contamination are identified which, in the opinion of the inspector or the Corporation, 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 Corporation. Failure to comply with this requirement may constitute grounds for termination of water service with notice.
- 4. **Activation of Non-Standard Service.**
 - a. **Activation of Non-Standard Service** shall be conducted as prescribed by terms of Section F of this Tariff.
 - b. **Re-Service** - The same terms, which apply under the Activation of Standard Service Sub-Section on Re-Servicing, shall be applied to Non-Standard Re-Service requests. (Section E. 3. b)
- 5. **Changes in Service Classification.** If at any time the Corporation determines that the customer service needs changed from those originally applied for to a different service classification and the Corporation determines that additional or different facilities are necessary to provide adequate service, the Corporation shall require the Applicant/Member to re-apply for service under the terms and conditions of this Tariff. Applicant/Members failing to comply with this provision shall be subject to the Disconnection with Notice Provisions of this Tariff, Sub-Section 15.a.
- 6. **Membership.**
 - a. **Eligibility** - Eligibility for Membership shall not guarantee service to the Applicant or Transferee; however, qualification for service is a prerequisite to Membership eligibility for new Applicants or continued Membership for Transferees.
 - b. **Membership Certificates** - Upon qualification for service, qualification for Membership, and payment of the required fees, the Corporation may issue a refundable Membership Certificate to the Applicant. The Membership Certificate provides proof of Membership in the Corporation and shall entitle the Member to one (1) connection to the Corporation's water utility service. The Membership Certificate also entitles the Member to one (1) vote in conducting the affairs of any Annual or Special Membership Meeting of the Corporation as prescribed by the Corporation Bylaws. An original or a copy of each Membership Certificate shall be held on file in the Corporation Office. Ownership of more than one (1) Membership Certificate shall not authorize the Member to cast more than one (1) vote at any annual or special meeting,

except as provided by the Corporation's by-laws on proxy voting. Each Membership Certificate and Stock thereby represented shall be assigned to the specified parcel of land originally designated to receive service at the time of application.

c. **Transfers of Membership.**

- 1) A Member is entitled to transfer Membership in the Corporation only under the following circumstances:
 - (a) The Membership is transferred by will to a person related to the Transferor within the second degree by consanguinity; or
 - (b) The Membership is transferred without compensation to a person related to the Transferor within the second degree by consanguinity; or
 - (c) The Membership is transferred without compensation or by sale to the Corporation; or
 - (d) The Membership is transferred as a part of the conveyance of real estate from which the Membership arose.
- 2) In the event that Membership is transferred pursuant to the provisions of Sub-Section 6.c.(1) such transfer shall not be completed or recorded on the books and records of the Corporation until such time as the transferor has provided satisfactory evidence to the Corporation of such transfer. A transfer of Membership shall not be binding on the Corporation until such transfer has been approved as provided by Sub-Section 6.c.(3).
- 3) Qualifications for service upon transfer of Membership set forth in Sub-Section 6.c.(1) and 6.c.(2) shall be subject to approval of the Corporation and shall be recorded on the books and records of the Corporation only upon the following terms and conditions:
 - (a) A Transfer Authorization Form has been completed by the Transferor and Transferee;
 - (b) The Transferee has completed the required Application Packet;
 - (c) All indebtedness due the Corporation has been paid;
 - (d) The Membership Certificate has been surrendered, properly endorsed, by the Transferor; and
 - (e) The Transferee demonstrates satisfactory evidence of ownership of the property designated to receive service and from which the Membership originally arose.

d. **Cancellation of Membership** -- To keep a Membership in good standing, a Service Availability Charge or a Reserved Service Charge must be paid monthly to the Corporation, whether or not water is used. Failure to pay this monthly charge to the Corporation shall jeopardize the Member's Membership standing and give rise to liquidation of the Membership Fee and forfeiture of the Membership. A Member may be relieved of this obligation to pay by surrendering the Membership Certificate, properly endorsed, to the Corporation. The Member shall also complete a Service Discontinuance Request Form prior to termination of service. (See Misc. Transaction Forms.) However, a Member is not relieved of any obligations incurred prior to the date of surrender of a properly endorsed Membership Certificate prior to termination of service. Rights to future service at this tap shall be extended on an as-available basis and subject to the terms of the Activation of Service Sub-Section E.3.a. of this Tariff.

e. **Liquidation Due To Delinquency** -- When the amount of the delinquent charges owed by the Member equals the Membership Fee, the Membership Fee shall be liquidated and the Membership canceled and transferred back to the Corporation. In the event the Member leaves a balance due on an account guaranteed under the terms of a Service Application and Agreement, and the delinquent Member owns

more than one Membership Certificate, the Corporation may liquidate as many of the Member Guarantor's Membership Fees as necessary to satisfy the balance due the Corporation, provided proper notice has been given (see section E, Subsection 15.1a.[4]). The Corporation shall collect any remaining account balances by initiation of legal action. Re-instatement of service shall be subject to the terms of the Activation of Service Sub-Section E. 3. a. of this Tariff.

- f. **Cancellation Due To Policy Non-Compliance** -- The Corporation may cancel a Membership anytime a Member fails to comply with policies or by-laws of the Corporation, including but not limited to Member's failure to provide proof of ownership of the property from which the Membership arose.
 - g. **Re-assignment of Canceled Membership** -- The Corporation, upon cancellation of Membership under the provisions of this Tariff, may re-assign the Membership rights thereby granted to any person who satisfactorily demonstrates eligibility for Membership, including but not limited to proof of ownership of the property from which the Membership arose.
 - h. **Mortgaging of Memberships** -- Nothing herein shall preclude a Member from mortgaging his/her Membership. However, notification to the holder of any security interest (mortgagee/lien-holder) of account status of Member/mortgagor will be provided only upon satisfactory completion of requirements for such conditions under the Membership Mortgage Agreement (See Miscellaneous Transaction Forms). Prior to the cancellation of any Membership as provided under Sub-Section E. 6.d. (Cancellation of Membership), the Corporation will attempt in good faith to notify the holder of any security interest in the Membership. The holder of the security interest also must hold a security interest in the real property at which water service is provided under the Membership. The Corporation may withhold cancellation of a Membership pending the resolution of any foreclosure proceedings or similar legal proceedings by the holder of the security interest.
7. **Owners and Renters.** Any Member, renting or leasing real estate property designated to receive service according to the terms of this tariff to other parties, is responsible for all charges due the Corporation. The Corporation may bill the renter or lessee for utility service (at Member Request) as a third party, but the Member is fully responsible for any and all unpaid bills left by the renter/lessee. The owner shall be required to sign an Alternate Billing Agreement. (See Miscellaneous Transaction Forms.) The Member shall take responsibility for any necessary deposits from the renter/lessee to ensure payment of a past due bill. The Corporation may notify the Member of the renter's past due payment status subject to service charges (see Section: Miscellaneous Transaction Forms).
8. **Denial Of Service.** The Corporation may deny service for the following reasons:
- a. Failure of the Applicant or Transferee to complete all required forms and pay all required fees and charges;
 - b. Failure of the Applicant or Transferee to comply with rules, regulations, policies, and bylaws of the Corporation;
 - c. Existence of a hazardous condition at the Applicant's property that would jeopardize the welfare of the Members/Users of the Corporation upon connection;
 - d. Failure of Applicant or Transferee to provide representatives or employees of the Corporation reasonable access to property, for which service has been requested;
 - e. Failure of Applicant or Transferee to comply with all governmental rules and regulations of the Corporation's tariff on file with the state regulatory agency governing the service applied for by the Applicant;
 - f. Failure of Applicant or Transferee to provide proof of ownership, to the satisfaction of the Corporation, of property for which the tap has been requested, and/or
 - g. Applicant's service facilities are known to be inadequate or of such character that satisfactory service cannot be provided.

9. ***Applicant's or Transferee's Recourse.*** In the event the Corporation refuses to serve an Applicant under the provisions of these rules, the Corporation must notify the Applicant, in writing, on the basis of its refusal. The Applicant may file for an appeal, in writing, with the Board of Directors of the Corporation.
10. ***Insufficient Grounds for Refusal of Service.*** The following shall not constitute sufficient cause for the refusal of service to an Applicant:
- a. Delinquency in payment for service by a previous occupant of the premises to be served;
 - b. Failure to pay a bill to correct previous underbilling due to misapplication of rates more than six (6) months prior to the date of application;
 - c. Violation of the Corporation's rules pertaining to operation of non-standard equipment or unauthorized attachments which interfere with the service of others, unless the customer has first been notified and been afforded reasonable opportunity to comply with said requirements;
 - d. Failure to pay a bill of another customer as guarantor thereof unless the guarantee was made in writing to the Corporation as a condition precedent to service;
 - e. Failure to pay the bill of another customer at the same address except where the change of customer identity is made to avoid or evade payment of a utility bill;
 - f. Failure to comply with regulations or rules for anything other than the type of utility service specifically requested including failure to comply with septic tank regulations.
11. ***Deferred Payment Agreement.*** The Corporation will not offer a deferred payment plan to a Member who cannot pay an outstanding balance in full. Exceptions may be made by the Board of Directors only for extraordinary circumstances beyond customer's control; i. e., undetected break in customer plumbing.
12. ***Indigent Care Policy.*** August Lakes Water Supply Corporation is a retail public water utility and not a credit or lending institution. All water service shall be provided on a non-preferential, non-discriminatory basis to all qualified applicants upon timely payment of all applicable fees and charges. No special exceptions or classes of customers shall be recognized.
13. ***Charge Distribution and Payment Application.***
- a. **The Service Availability Charge or the Reserved Service Charge** is for the billing period from the tenth day of the month to the tenth day of the following month. The Corporation reserves the right to change its billing cycles if the workload or holidays/weekends require such practice. The Corporation shall strive to maintain a 30-31 day billing monthly, excluding February, where feasible. Charges shall be prorated for meter installations and service termination's falling during the billing period. Billings for this amount shall be mailed on or about the first of the month preceding the month for which this charge is due. All services shall be subject to this charge whether or not the service is in use by the Member
 - b. **Gallonge Charge** shall be billed at the rate specified in Section G and billing shall be calculated in one hundred (100) gallon increments or portions thereof if the Corporation's billing computers are capable of proportional unit billing. Water charges are based on monthly meter readings and are calculated from reading date to reading date. Readings used in all billing calculations shall be taken by the Corporation's employees or designated representative.
 - c. **Posting of Payments** -- All payments shall be posted against previous balances prior to posting against current billings.
14. ***Due Dates, Delinquent Bills, and Service Disconnection Date.*** The Corporation shall mail all bills on or about the 25th of the month. All bills shall be due and payable upon the tenth (10th) day of the month, after which time a penalty shall be applied as described in Section G. The Corporation may disconnect service for non-payment without further notice beginning the twenty-third (23rd) day of the month. A bill is delinquent if not paid on or before the due date. Payments made by mail will be considered late if received after the due date. If the due date