

D. IT IS FURTHER MUTUALLY AGREED BETWEEN THE SELLER AND THE PURCHASER

AS FOLLOWS:

1. TERM OF CONTRACT: That this Contract shall extend for a term of ninety-^{nine (99)} years from the date of the initial delivery of any water as shown by the first bill submitted by the SELLER to the PURCHASER and, thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the SELLER and PURCHASER.

2. DELIVERY OF WATER: That ninety (90) days prior to the estimated date of completion of construction of SELLER'S water supply transmission system, SELLER will notify PURCHASER in writing of the date for the initial delivery availability for delivery of water.

3. FAILURE TO DELIVER: That the SELLER will, at all times, operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish the PURCHASER with quantities of water required by the PURCHASER. Temporary or partial failure to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to the SELLER is otherwise diminished over an extended period of time, the supply of water to PURCHASER shall be reduced or diminished in the same ratio or proportion as the supply to SELLER'S consumers is reduced or diminished.

4. MODIFICATION OF CONTRACT: That the provisions of this contract pertaining to the schedule of rates to be paid by the PURCHASER for water delivered are subject to modification at the end of every one (1) year period. Any increase or decrease in the rates shall conform to those cost elements set below and the formula in B.4: above, and shall be based

MODIFICATION OF CONTRACT, Cont.:

on a demonstrable increase or decrease in those elements. The cost elements include an item for the amortization of the initial capital cost incurred by SELLER to provide service to PURCHASER. The only capital cost or expenditures which shall be considered in any redetermination of the rates are those capital costs and expenditures which are directly attributable to additional service to PURCHASER by SELLER. Before such additional capital expenditures are made by SELLER, they must be approved by PURCHASER.

The cost elements to be considered in the rate determination in this contract are as follows:

(1) Capital Costs (these costs consist of the initial capital expenditures directly attributable to PURCHASER amortized over a forty (40) year period, the life of the loan, plus a fee for administration and organization of SELLER'S system, which may be correctly attributable to PURCHASER): and,

(2) Operation and Maintenance Expenses and Costs which can be directly attributable to PURCHASER.

Provided, however, and it is specifically agreed that the PURCHASER will continue to pay SELLER at least the minimum service availability charge initially prescribed herein to the extent required for debt service and reserve so long as the loan made by the Farmers Home Administration of the United States Department of Agriculture for financing the construction of PURCHASER'S transmission line and storage capacity portion of the water supply distribution system of the SELLER remains outstanding and unpaid.

5. REGULATORY AGENCIES: SELLER and PURCHASER agree that it shall be the duty of SELLER to obtain all permits, certificates and the like to the point of delivery to PURCHASER. PURCHASER shall aid SELLER in obtaining such permits and certificates as may be possible. PURCHASER shall be responsible for obtaining all permits, certificates and the like from the point of delivery to PURCHASER by SELLER to PURCHASER'S retail customers.

6. MISCELLANEOUS: That the construction of the water supply transmission system by the SELLER is being financed by a loan made or insured by, and/or a grant from, the United States of America, acting through the Farmers Home Administration of the United States Department of Agriculture, and the provisions hereof pertaining to the undertakings of the SELLER are conditioned upon the approval, in writing, of the State Director of the Farmers Home Administration.

7. PURCHASED CAPACITY: By signing this document both PURCHASER and SELLER agree that the monthly service availability charge referenced in B.2. above is to pay for pipeline capacity reserved exclusively for PURCHASER to the extent generally shown on Exhibit "A" attached hereto. The exact routing of the purchased capacity will be agreed to when actual construction bids for the project are received. The pipeline capacity being reserved is 240 gpm.

8. SUCCESSOR TO THE SELLER OR PURCHASER: That in the event of any occurrence rendering the SELLER incapable of performing under this contract, any successor of the SELLER, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the SELLER hereunder. That in the event of any occurrence rendering the PURCHASER incapable of performing under this contract, any successor of the PURCHASER, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the PURCHASER hereunder.

9. ASSIGNMENT: This contract is assignable to the United States of America, Farmers Home Administration, as security for the loan made or to be made or insured by it.

IN WITNESS WHEREOF, the parties hereto, acting under authority of their respective governing bodies, have caused this contract and agreement to be duly executed in five (5) counterparts, each of which shall constitute an original.

SELLER:

CHISHOLM TRAIL WATER SUPPLY CORPORATION

BY: *Sal H. Chamber*
President

ATTEST:

Edith H. Rose
Secretary

PURCHASER:

LIBERTY HILL WATER SUPPLY CORPORATION

BY: *Oscar Kinnibugh*
President

ATTEST:

Wendell McLeod
Secretary

This contract is approved on behalf of the Farmers Home Administration
this _____ day of _____, 1984.

BY: _____

TITLE: _____

THE STATE OF TEXAS
COUNTY OF WILLIAMSON

I
I
I

BEFORE ME, the undersigned authority, on this day personally appeared Robert Chambers, President of CHISHOLM TRAIL WATER SUPPLY CORPORATION, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 19 day of June, 1983.

Leah Sery Sr.
NOTARY PUBLIC IN AND FOR
WILLIAMSON COUNTY, T E X A S

My commission expires: 3-12-88

THE STATE OF TEXAS
COUNTY OF WILLIAMSON

I
I
I

BEFORE ME, the undersigned authority, on this day personally appeared President of LIBERTY HILL WATER SUPPLY CORPORATION, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 19th day of June, 1984.

Robert H. Stephens
NOTARY PUBLIC IN AND FOR
WILLIAMSON COUNTY, T E X A S

My commission expires: 12/27/87

Attachment 5.C

Proposed System Improvements to Increase System Capacity

LHWSC currently has five production wells with a combined normal capacity of 295 gpm, and a master meter connected to Chisholm Trail SUD with a contract capacity of 100,000 gpd (70 gpm), for a total current capacity of 365 gpm. According to TAC(30) 290.45(b)(D)(i), 365 gpm is sufficient capacity to serve 608 connection, using 0.6 gpm of combined production capacity per connection.

Currently, LHWSC has 562 connections, which represents 92% of total production capacity. However, LHWSC is coordinating with the City of Liberty Hill to construct two additional water supply wells funded by an existing HUD Community Development Block Grant. The project is planned to be publicly bid in September, 2011, with construction completion in December, 2011. These two wells are anticipated to produce 75 gpm each, which would increase production capacity to 515 gpm. The system would then support service to a total of 858 customers, and the added wells would reduce production capacity from 92% to 68%.

In addition, LHWSC has a contract with the Brazos River Authority for 600 acre-feet per year of firm capacity of surface water, which will support approximately 1500 additional connections in the future.

LHWSC is well below 85% of capacity for the remainder of the system, including total storage, elevated storage, and pump capacities.

Attachment 5.G, I, and J
Effect of Granting a Certificate Amendment

G. Explain in detail the effect of granting of a certificate or an amendment, including, but not limited to regionalization, compliance and economic effects on the following:

i the applicant:

The proposed service area has the potential for an expanding population along the State Highway 29 corridor. Amending the certificate will support applicant's development of a capital improvement plan to serve this area that is immediately adjacent and contiguous to applicant's existing service area. Applicant has reserved surface water rights, which could be integrated in a regional supply system.

ii any retail public utility of the same kind already serving the proximate area:

The proposed service area is not currently within the CCN of any other retail public utility. No other retail public utility will be affected by the amendment of the certificate.

iii any landowner(s) in the requested area:

Landowners in the requested area will benefit from having a public water system available, rather than relying solely on private wells.

I. Ability to Provide Adequate Service.

Describe the ability of the applicant to provide adequate service, including meeting the standards of the commission, taking both of the following items into consideration:

- i. the current and projected density, and
- ii. the land use of the requested area.

Currently, the requested area is primarily comprised of sparsely populated land used for agricultural purposes. The applicant will provide service by extending its existing public water system into the proposed area on an as-needed basis in accordance with the Service Extension Policy stated in the Tariff.

J. Effect on the Land.

Explain the effect on the land to be included in the certificated area.

The land in the requested area will benefit from having a public water system available, which will allow more diverse land uses and assist with development of the land for residential and commercial uses.

LIBERTY HILL WATER SUPPLY CORPORATION
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2010

ASSETS

Cash and cash equivalents	\$ 133,490
Accrued interest receivable	127
Accounts receivable, net of allowance for uncollectible accounts (Notes 2 and 6)	70,738
Prepaid expenses:	
Reserved water	48,943
Insurance	4,906
Other	7,226
Other assets	135
Restricted cash:	
Reserve account (Note 3)	21,210
Wastewater service (Note 5)	13,460
Property and equipment, net of accumulated depreciation (Notes 4 and 6)	<u>2,016,691</u>
Total assets	<u>\$ 2,316,926</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accrued expenses	\$ 1,906
Accrued interest payable	3,549
Membership fees	56,354
Wastewater service liability (Note 5)	13,460
Notes payable (Note 6)	<u>1,286,642</u>
Total liabilities	1,361,911
Net assets:	
Unrestricted	<u>955,015</u>
Total liabilities and net assets	<u>\$ 2,316,926</u>

The accompanying notes are an integral part of these financial statements.

LIBERTY HILL WATER SUPPLY CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED OCTOBER 31, 2010

Revenues and support:	
Water service	\$ 347,534
Water availability charge	58,900
Meter hookup and water tap fees	2,488
Wastewater service fees (Note 5)	3,187
Interest income	<u>1,424</u>
Total revenues and support	<u>413,533</u>
Expenses:	
Salaries	71,818
Depreciation	65,978
Reserved water charge	38,251
Legal and professional fees	41,046
Electricity	41,476
Repairs and maintenance	35,190
Interest	53,570
Bad debts	2,571
Insurance	14,718
Telephone, office, and postage	10,620
Chemicals and other supplies	13,044
Franchise fees	7,073
Collection and regulatory fees	7,578
Contract labor	10,752
Conference and convention	785
Water samples and purchases	31,960
Miscellaneous	<u>2,789</u>
Total expenses	<u>449,219</u>
Decrease in net assets	(35,686)
Unrestricted net assets:	
Beginning of year	<u>990,701</u>
End of year	<u>\$ 955,015</u>

The accompanying notes are an integral part of these financial statements.

LIBERTY HILL WATER SUPPLY CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED OCTOBER 31, 2010

Cash flows from operating activities:	
Decrease in net assets	\$ (35,686)
Adjustments to reconcile decrease in net assets to	
net cash flows from operating activities:	
Depreciation	65,978
(Increase) decrease in:	
Accounts receivable, net	(17,349)
Prepaid expenses - reserved water	(4,223)
Prepaid expenses - insurance	(999)
Increase (decrease) in:	
Accounts payable	(5,575)
Accrued expenses	21
Membership fees	350
Net cash flows from operating activities	<u>2,517</u>
Cash flows from investing activities:	
Purchase of property and equipment	(7,674)
Increase in restricted cash	<u>(4,896)</u>
Net cash flows from investing activities	<u>(12,570)</u>
Cash flows from financing activities:	
Principal payments on notes payable	<u>(21,562)</u>
Net decrease in cash and cash equivalents	(31,615)
Cash and cash equivalents:	
Beginning of year	<u>165,105</u>
End of year	<u>\$ 133,490</u>
Supplemental disclosure information:	
Interest paid	<u>\$ 53,570</u>

The accompanying notes are an integral part of these financial statements.

**LIBERTY HILL WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2010**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

Liberty Hill Water Supply Corporation (the Corporation) was organized as a nonprofit corporation to distribute water to its member customers. Primarily, revenue is generated from the sale of water to its members, which is supplied from wells owned by the Corporation or purchased from other water districts.

The Corporation charges a membership fee and service availability fee for all new water taps to defray the cost of upgrading system facilities to meet growth demands created by adding new customers. Also, the Corporation charges for water usage at various rates with a minimum monthly charge.

Basis of accounting:

The financial statements of the Partnership are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of presentation:

In accordance with Financial Accounting Standards Board (FASB) ASC 958-225-45, Other Presentation Matters, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Corporation did not have temporarily or permanently restricted net assets as of October 31, 2010.

Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

For the purpose of the Statement of Cash Flows, the Corporation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Membership fees:

Membership fees are collected at the time the application for service is approved and are refunded at termination of service. A fee shall be paid for each lot/tap or meter equivalent before service shall be provided or reserved.

Allowance for uncollectible accounts:

The allowance for uncollectible accounts has been determined based on accounts receivable from customers that are outstanding for longer than 60 days and are not currently making payments, as well as based on management's judgment. The Corporation doesn't assess finance charges on old accounts. Charging off old receivables is evaluated on a case-by-case basis.

LIBERTY HILL WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2010

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
CONTINUED

Property and equipment:

Property and equipment are recorded at cost. Donated property and equipment is recorded at its estimated fair value at date of receipt. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. Property and equipment are being depreciated on the straight-line method over the following estimated useful lives stated in years:

	<u>Years</u>
Water system	7 to 50
Water meters	10 to 20
Building and improvements	10 to 33
Office furniture and equipment	3 to 10

Federal income tax:

The Corporation is exempt from federal income tax under section 501(c)(12) of the Internal Revenue Code. FASB ASC Section 740, Income Taxes, requires extensive disclosures about uncertain tax positions. The requirements of this standard are applicable to nonprofit organizations. The Corporation evaluates any uncertain tax positions using the provisions of FASB ASC 450, Contingencies. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management's judgment with respect to the likely outcome of each uncertain tax position.

The Corporation does not believe that it has engaged in any situation that would result in an uncertain tax position. As a result, management does not believe that any uncertain tax positions currently exist and therefore, no loss contingency has been recognized in the accompanying financial statements. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, the Corporation does not have any open examinations with either the Internal Revenue Service or state taxing authorities.

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable at October 31, 2010, consists of the following:

Water service	\$ 77,951
Water availability charges and hookups	<u>14,088</u>
Total accounts receivable	92,039
Less: Allowance for uncollectible accounts	<u>(21,301)</u>
Net accounts receivable	\$ <u>70,738</u>

LIBERTY HILL WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2010

NOTE 3 – RESTRICTED CASH

In accordance with the loan resolution security agreement executed concurrently with the promissory note agreements (Note 6), a reserve account must be maintained by the Corporation. The Corporation is required to make monthly deposits of \$408 beginning in July, 2006, and continuing until the sum of \$48,918 is reached. With the prior written approval of the United States Department of Agriculture Rural Utilities Service (USDA RUS), funds may be withdrawn from this reserve for loan installments, emergency maintenance, extensions to facilities, and replacement of short-lived assets. As of October 31, 2010, deposits of \$21,210 have been made to this reserve.

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment at October 31, 2010 follows:

Water system	\$ 2,605,539
Water meters	31,981
Buildings	19,552
Office furniture and equipment	95,074
Land	<u>39,913</u>
Total property and equipment	2,792,059
Less: Accumulated depreciation	<u>(775,368)</u>
Property and equipment, net of accumulated depreciation	\$ <u>2,016,691</u>

NOTE 5 – WASTEWATER SERVICE

In November, 2006, the Corporation entered into a contract with the City of Liberty Hill (the City) to provide certain billing and reporting services for the City's retail wastewater service in exchange for fees as set forth in the contract. Services performed under this contract began in November, 2009, and the Corporation earned fees totaling \$3,187 during the year ended October 31, 2010. The Corporation owes the City a total of \$13,460 for wastewater service collections on the City's behalf as of year end.

NOTE 6 - NOTES PAYABLE

On September, 2005, the Corporation entered into two promissory note agreements (the Notes) with the USDA RUS to provide funding for a portion of the cost of acquiring and constructing a certain water system. The Corporation received advances under these agreements totaling \$1,385,423 of which \$1,286,642 remained payable at October 31, 2010. An interest-only installment was due in September, 2006, and monthly principal and interest payments of \$6,261 are due thereafter, with the remaining principal and interest due at maturity in September, 2045. The Notes are secured by a utility security agreement – real estate deed of trust. Additional monthly deposits to a reserve account are required (Note 3).

LIBERTY HILL WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2010

NOTE 6 - NOTES PAYABLE - CONTINUED

The aggregate annual maturities of the Notes for each year until maturity are as follows:

2011	\$	22,595
2012		23,545
2013		24,535
2014		25,566
2015		26,641
Thereafter		<u>1,163,760</u>
Total	\$	<u>1,286,642</u>

NOTE 7 - COMMITMENTS

During the year ended October 31, 2010, the Corporation entered into an agreement with the City to transfer the assets and liabilities of the Corporation to the City and to ensure continuous and adequate retail water utility service to the citizens of Liberty Hill. The City is required to establish a utility department prior to this transfer. Applications with USDA will be jointly filed to release the Corporation's debt through either assumption of the debt by the City or payment of the debt by the City. The City and Corporation will also jointly file a sales, transfer or merger application (STM Application) with the Texas Commission on Environmental Quality (TCEQ). The transfer shall become effective upon TCEQ approval of the STM application. The date of the transfer can not be determined at this time.

NOTE 8 - DATE OF MANAGEMENT EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 10, 2011, the date on which the financial statements were available to be issued.

Liberty Hill Water Supply Corporation
Balance Sheet
June 30, 2011

Assets

Current assets:	\$	9,638.92
Cash - operating fund		21,210.40
Cash - M. M.		13,750.85
Cash - reserve		4,102.43
Cash-M.M. First Texas Bank		100,000.00
CD - State Bank, Liberty Hill		52,411.00
Liberty Hill WSC-payment acct.		127.40
Accrued Interest Receivable		77,951.13
A/R - water service		14,088.28
A/R - other		(21,300.98)
Allow. for uncollectible accts		3,921.08
A/R - Wastewater Billings		4,905.67
Prepaid insurance		48,943.00
Prepaid reserved water		<u>7,225.61</u>
Prepaid expense-Chisolm Trail		
Total current assets		<u>336,974.79</u>
Property, plant and equipment:		39,912.52
Land		19,551.89
Building		(16,084.36)
Accum. depr. - building		70,103.00
Office equipment		(90,293.76)
Accum. depr. - office equip.		2,605,539.23
Water distribution system		(702,589.72)
Accum. depr. - water dist. sys		116,477.13
Water meters		(9,468.00)
Accum. depr. - water meters		<u>28,676.25</u>
Machinery & Equipment		
Net property, plant and equipment		<u>2,061,824.18</u>
Total other assets		<u>135.00</u>
Total assets	\$	<u>2,398,933.97</u>

Liberty Hill Water Supply Corporation
Balance Sheet
June 30, 2011

Liabilities and Equity

Current liabilities:	
Due to City LH for Wastewater	\$ 17,690.96
FICA/WH payable	2,244.33
FUTA payable	0.01
SUTA payable	<u>26.13</u>
Total current liabilities	<u>19,961.43</u>
Long term liabilities:	
Accrued Interest Payable	3,549.30
Less: current maturities ltd	25.00
N/P -USDA RUS	1,286,642.31
Memberships	<u>57,354.10</u>
Total long term liabilities	<u>1,347,570.71</u>
Equity:	
Retained earnings	954,680.67
Current income (loss)	<u>76,721.16</u>
Total equity	<u>1,031,401.83</u>
Total liabilities & equity	\$ <u><u>2,398,933.97</u></u>

Liberty Hill Water Supply Corporation
Income Statement
Months Ended June 30, 2011

	1 Month Ended Jun. 30, 2011	Pct	8 Months Ended Jun. 30, 2011	Pct
Revenues:				
Water service revenues	\$ 45,552.43	119.84	\$ 341,486.02	116.86
wastewater receipts	(8,567.71)	(22.54)	(68,497.29)	(23.44)
Interest received	0.00	0.00	214.25	0.07
Other revenues	425.00	1.12	6,789.95	2.32
Service availability charge	0.00	0.00	9,100.00	3.11
Meter hookup fees	600.00	1.58	3,125.36	1.07
Total revenues	<u>38,009.72</u>	<u>100.00</u>	<u>292,218.29</u>	<u>100.00</u>
Operating expenses:				
Salaries	6,838.01	17.99	45,301.51	15.50
Electric power	2,668.79	7.02	25,359.16	8.68
Telephone	353.85	0.93	2,691.40	0.92
Office & postage	174.20	0.46	5,686.46	1.95
Repairs & maintenance	466.33	1.23	8,208.33	2.81
truck expense	320.01	0.84	1,748.82	0.60
Memberships & fees	0.00	0.00	65.00	0.02
TCEQ & DSHS & Assessments	560.00	1.47	5,870.39	2.01
Franchise Fees	0.00	0.00	4,537.36	1.55
Insurance expense	0.00	0.00	14,858.69	5.08
Accounting	0.00	0.00	7,565.00	2.59
Legal & Professional Fees	10,857.53	28.57	24,970.59	8.55
Waterworks supplies exp.	1,960.38	5.16	7,096.24	2.43
Water Samples	60.00	0.16	465.00	0.16
Payroll tax expense	523.11	1.38	3,717.94	1.27
Contract labor	1,200.00	3.16	5,320.00	1.82
Conferences & conventions	0.00	0.00	155.00	0.05
General	26.00	0.07	1,105.53	0.38
Chemical	0.00	0.00	7,706.87	2.64
Depreciation expense	<u>5,383.48</u>	<u>14.16</u>	<u>43,067.84</u>	<u>14.74</u>
Total oper. expenses	<u>31,391.69</u>	<u>82.59</u>	<u>215,497.13</u>	<u>73.75</u>
Tot. other income(exp)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net income (loss)	\$ <u>6,618.03</u>	<u>17.41</u>	\$ <u>76,721.16</u>	<u>26.25</u>

Attachment 7.G
Retail Public Utilities and Cities within Two Miles

Water
CCN #

Retail Public Utilities

10302	City of Leander PO Box 317 Leander, Texas 78641
10432	Durham Park Water Supply Corporation 900 Glasscock Rd Liberty Hill, Texas 78642
11157	Aqua Texas Inc. 1106 Clayton Ln Ste 400W Austin, Texas 78723-2476
11590	Chisholm Trail Special Utility District PO Box 249 Florence, Texas 76527
13135	Liberty Greenline LLC PO Box 969 Liberty Hill, Texas 78642

Cities

City of Liberty Hill
PO Box 1920
Liberty Hill, Texas 78642

City of Leander
PO Box 319
Leander, TX 78646



1. 1. 1.

RECEIVED
TCEQ
WATER SUPPLY DIV.
2011 AUG 15 PM 1 18

WATER TARIFF

LIBERTY HILL WATER SUPPLY CORPORATION
P. O. BOX 95
LIBERTY HILL, TEXAS 78642
(512) 778-5977

CCN 10324

PREPARED JUNE 26, 1990
REVISED JULY 18, 2011

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SECTION A: RESOLUTION OF ADOPTION AND REVISION

RESOLVED BY THE BOARD OF DIRECTORS OF THE LIBERTY HILL
WATER SUPPLY CORPORATION THAT:

1. This Tariff of Liberty Hill Water Supply Corporation, serving parts of Williamson county, consisting of the town of Liberty Hill inclusive, is hereby adopted and enacted as the current regulation which shall supersede all policies passed by the Board of Directors before June 26, 1990, to the extent provided in paragraph 2 hereof.

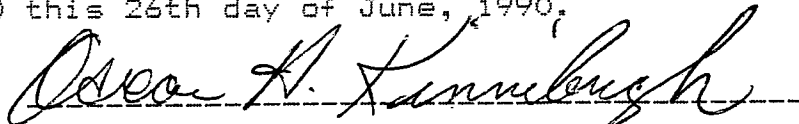
2. No prior agreement executed by the Board of Directors is repealed by any provision contained herein, save and except as provided in the terms of that agreement.

3. The adoption of the provisions of this Tariff shall not affect any offense or act committed or done, or any penalty of forfeiture incurred, or any contract or vested right established or accruing before the effective date of this Tariff.

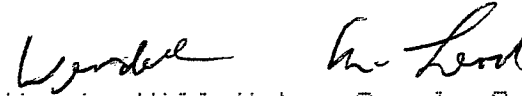
4. An official copy of this policy shall be available to the Membership of this Corporation during regular office hours of the Corporation. Requests for copies of this Tariff shall be subject to reproduction charges. The Secretary of the Corporation shall maintain the original copy as approved, and clearly exhibit all additions, deletions, and amendments separately.

5. This Tariff shall take effect immediately upon its approval as provided by law, and according to its terms. Rules and regulations of state and federal agencies having applicable jurisdiction, promulgated under any applicable State or Federal Law, 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 thereby.

PASSED and APPROVED this 26th day of June, 1990,


President, Liberty Hill Water Supply

ATTEST:


Secretary, Liberty Hill Water Supply Corporation

Date Approved 6-26-90

LHWSC

SECTION B: STATEMENTS

SECTION B: STATEMENTS

1. Organization. The LH Water Supply Corporation is a member-owned, non-profit corporation incorporated pursuant to the provisions of Tex. Rev. Civ. Stat. Ann., art. 1434a as supplemented by the Texas Non-Profit Corporation Act, Tex. Rev. Civ. Stat. Ann., art. 1396, for the purpose of furnishing a potable water utility service. Corporation operating policies, rates, tariffs, and regulations are formulated and effected by a Board of directors elected by the Members of the Corporation.

2. Non-Discrimination Policy. Membership in the Corporation and service of water is provided to all Applicants who comply with the provisions of this Tariff regardless of race, creed, color, national origin, sex or marital status.

3. Rules Application. The rules and regulations specified herein apply to the water services furnished by Liberty Hill Water Supply Corporation, also referred to as corporation, or LHWSC. Failure on the part of the Member, Consumer, or Applicant to observe these rules and regulations of the corporation, after due notice of such failure, automatically give the Corporation the authority to deny or to discontinue the furnishing of service as provided herein and as may be amended from time to time by the board of Directors of the Corporation.

4. Corporation Bylaws. The Corporation has adopted bylaws which establish the make-up of the Board of Directors, establish the Membership voting rights, provide for annual and regular meetings, provide for reserve accounts, and establish the rights of the Members and other important regulations of the water system. These bylaws are included by reference herein, as amended from time to time, and are on file for inspection in the Corporation's office.

5. Fire Protection Responsibility. Fire hydrants installed within the Corporation's 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. Fire hydrants paid for by individuals or groups of individuals and donated to the corporation for county volunteer fire department use shall remain in place for such use as "refill only" of fire trucks. The Corporation reserves the right to remove any fire hydrant, 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.

6. Damage Liability. The LHWSC is not liable for damages caused by service interruptions, event beyond its control, and for normal system failures. The limit of liability of the LHWSC is the extent of the cost of service provided. By acceptance of Membership, Member consents to waiver of such liability.

7. Information Disclosure. The records of the Corporation shall be kept in the Corporation office in Liberty Hill, Texas. The records may, upon request, be examined by any Member of the Corporation. The records may not be removed from the corporation's office and the Corporation staff reserves the right to require reasonable notice of requests for information and the opportunity to consult its governing body and/or legal counsel prior to disclosure. A reasonable charge may be assessed anyone requesting copies of records.

8. Customer Notice Provisions. The Corporation shall give written notice of monthly water rate changes by mail or hand delivery to all affected members and/or 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 interest under the policies of this Tariff in becoming a Member of the corporation shall have any 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 for discussion and resolution. If not resolved to the satisfaction of the aggrieved party the,

b. By presenting a letter of request for a hearing before the Board of Directors. The letter shall state the individual's desired business before the Board and the desired result.

c. The President of the Board of Directors shall review the request and determine the best means by which the complaint shall be resolved.

d. The President shall further determine a reasonable time and place of all hearings, but not beyond 45 days of the date of receipt of the letter of complaint.

e. The Board of Directors, committee thereof, and/or legal counsel shall hear the complaint as directed by the Board.

f. Any hearings by committees or staff delegated to hear complaints shall report its recommendation to the full Board for a decision by the Board.

g. The Board of Directors shall act upon the information available and direct the President or other representative to respond to the complaint by communicating the Board's decision in writing.

h. 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. The Board's decision shall be final.

SECTION C: DEFINITIONS

SECTION C: DEFINITIONS

ACTIVE SERVICE - Service status of any Member receiving authorized water service under the provisions of this Tariff.

APPLICANT - Person, partnership, cooperative corporation, corporation, agency, public or private organization of any character applying for service with the Liberty Hill Water Supply Corporation.

BOARD OF DIRECTORS - The Board of Directors elected by the Members of the Liberty Hill Water Supply Corporation.

BYLAWS - The rules pertaining to the governing of the LH Water Supply Corporation adopted by the Corporation Members.

CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) - The authorization granted under Chapter 13 of the Texas Water code for Liberty Hill Water Supply Corporation to provide water utility service within a defined territory. Liberty Hill Water Supply Corporation has Certificate Number [REDACTED]. Territory defined in the CCN shall be the Certificated Service Area.

CORPORATION - The Liberty Hill Water Supply Corporation.

DISCONNECTION OF SERVICE - The locking or removal of a water meter to prevent the use of water by a Member/Consumer.

EASEMENT - A private perpetual dedicated right-of-way for the installation of water pipelines and necessary facilities which allows access to property for future maintenance, facility replacement, and/or installation of additional pipelines (if applicable).

FmHA - Abbreviation for Farmers Home Administration, an agency of the U.S. Department of Agriculture, providing loan and grant funds for development of rural water systems serving communities with a population of less than ten thousand (10,000) people.

FINAL PLAT - A complete and exact plan for the subdivision of a tract of land into lots for marketing which has been approved by all regulatory agencies having jurisdiction over approval of the design, planning, and specifications of the facilities of such subdivision. The Liberty Hill Water Supply Corporation shall determine if a plat submitted for the purposes of this Tariff shall qualify as a final plat.

SERVICE AVAILABILITY FEE - A fee assessed of new applicants for water 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. This fee is charged for each meter equivalent or lot/tap for which service has been requested.

HAZARDOUS CONDITION - A condition which jeopardizes the health and welfare of the Member/Consumers of the Corporation as determined by the corporation or regulatory authority.

LIQUIDATED MEMBERSHIP - A Membership which has been cancelled due to delinquent charges exceeding the Membership Fee or for other reasons as specified in this Tariff. Service shall not be provided to any person whose Membership Fee has been liquidated until a new Membership Fee has been paid and all other applicable requirements for service as provided in this Tariff have been satisfied.

MEMBER - An Applicant who has received a membership Certificate and who is receiving water utility service from Liberty Hill Water Supply Corporation by the payment of the minimum monthly charge.

MEMBERSHIP CERTIFICATE - A stock certificate purchased from the Corporation evidencing a Member's interest in the Corporation.

MINIMUM MONTHLY CHARGE - The term Minimum Monthly Charge (proper name) is used to define the monthly charge assessed each Member of the Corporation utilizing service or each member who has the opportunity to utilize service via a metering device installed by the Corporation. In the text of this Tariff, minimum monthly charge (common name) may be used generically to describe Minimum Monthly Charge or Reserved Service Charge, the two monthly charges assessed each Member entitled to service. See definition of Reserved Service Charge.

INDICATION OF INTEREST FEE - A fee paid by a potential Member of the Corporation for the purpose of aiding the FmHA and Corporation officials in 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. Upon such conversion, the Applicant may then further qualify as a Member and shall become a Member of the Corporation upon receipt of a membership Certificate.

PERSON - Any natural person, partnership, cooperative corporation, association, private corporation, agency, or public or private organization of any character.

RENTER - A consumer who rents property from a Member and may otherwise be termed a lessee or tenant.

RE-SERVICE - Providing service to an Applicant at a location for which service previously existed, but where Membership has been liquidated and now requires the fitting of a metering device into an existing setting and possibly requiring modification to the setting in order to restore service. costs of such re-servicing shall be based on justifiable and reasonable costs to the Corporation for restoration of service.

RESERVED SERVICE CHARGE - A minimum monthly charge assessed each Member who has applied for service with the Corporation but has delayed the installation of meter(s) on the lot or property for which service has been requested. The purpose of this fee is to reserve service capacity at a desired location pending a decision on the part of the Member of where to locate the meter. This fee is paid monthly in lieu of the Minimum Monthly Charge until such time as a lot may be sold and a metered connection provided as requested. The Reserved Service Charge shall be cost-based to defray actual costs of service to the property for which service has been requested.

SERVICE CLASSIFICATION - A type of service which warrants a specific charge for service based on specific criteria such as usage, meter size, demand, type application, etc. as determined by the Corporation upon evaluation of the service requirements of the applicant or Member.

SERVICE APPLICATION AND AGREEMENT - A written agreement between the Member/applicant and the Corporation outlining the responsibilities of each party regarding the service of water.

SURRENDERED MEMBERSHIP - A Membership in which service has been discontinued upon requests of the Member and all indebtedness due the Corporation has been paid in full.

TARIFF - The Corporation's published rates, fees, and conditions of service.

TRANSFeree - An applicant receiving a LH Water Supply Corporation Memberships by legal means from a person or entity desiring to forfeit and transfer current rights to Membership to another person or entity.

TRANSFEROR - A Member who transfers membership by legal means to another person or entity desiring to qualify for service to a property for which the Membership is currently issued or to the Corporation.

SECTION D: GEOGRAPHIC AREA SERVED

SECTION E: SERVICE RULES AND REGULATIONS

SECTION E: SERVICE RULES AND REGULATIONS

1. Service Entitlement. An Applicant shall be considered fully qualified and entitled to water service when proper application has been made, terms and conditions of SERVICE AND MEMBERSHIP have been met and continue to be met, and all fees have been paid as prescribed by this Tariff.

2. Application Procedures and Requirements. For the purposes of this Tariff, service requested by an Applicant and provided by the Corporation shall be divided into the following two (2) 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 a 5/8" x 3/4" sized meter services set on existing pipelines.

b. ~~Non-Standard Service~~ is defined as any service applied for which is not Standard Service. In addition to the following requirements for service, service requirements as prescribed by Section F of this Tariff shall be required of the Non-Standard Service Applicant prior to extension of such pipelines, and/or service facilities.

~~c. 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. (See Sample Application Packet.)

(2) A Right-of-Way Easement Form, approved by the Corporation, must be completed by the Applicant for the purpose of allowing future extensions or facility additions to improve or provide service to future Applicants. (See Sample Application Packet.) NOTE: this requirement may be delayed for Non-Standard Service requests.

(3) The Applicant shall provide proof of ownership or title to property for which service has been requested in a manner acceptable to the Corporation.

(4) The Applicant shall provide proof that application has been made to the proper regulatory authority for approval and installation of on-site sewage disposal facilities as authorized under the Texas Sanitation and Health Protection law, Texas Civil Statutes, Article 4477-1, for all services requiring such installations.

(5) All Service Applications approved and cost of service fees quoted by the Corporation shall be presented to the Applicant in writing and shall stand approved at quoted costs for a period not to exceed thirty (30) days. After thirty (30) days, each applicant shall re-apply for service under the terms of this Tariff.

(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 purposes of installing the water main and appurtenances, and the Corporation has documentation of such refusal on 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 other fees shall be paid in advance of installation or in advance of reservation of service capacity including, as applicable, the Membership Fee, any Easement Fees, and the Service Availability fee as required under Section G of this Tariff.

b. Re-Service -- In the event an application is made for service on property where service previously existed, and for which an in-active account exists, the Corporation shall charge the Membership Fee and labor and materials costs necessary to restore service. In addition, the Corporation shall charge accumulated Reserved Service Fees plus monthly late charge which have been entered on the in-active account as monthly debits for the purpose of 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 Service Availability fee previously paid for service to the property. At such time, all service equipment shall be removed by the Corporation and all subsequent service requests shall be treated as new applications.

c. Performance of Work -- After all applicable fees are paid and approval is granted by proper authorities, all tap and equipment installations specified by the Corporation shall be completed by the corporation staff or the Corporation's designated representative. The tap shall be completed within ten (10) working days after receipt of payment of quoted installation fees.

4. Activation of Non-Standard Service.

a. Activations 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.

5. Changes in Service Classification. If at any time the Corporation determines that the customer service needs change from those needs 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 Disconnect 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 Membership Transferees.

b. Membership Certificates -- Upon qualification for service, qualification for Membership, and payment of the required fees, the Corporation shall issue a Membership Certificate to the Applicant. The Membership Certificate provides proof of membership in the corporation and shall entitle the applicant/Member to one (1) connection to the Corporation's water main and one (1) share of Corporation stock. The Membership Certificate also entitles the member to one (1) vote in the conducting of 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.

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.

NOTE: In the event that the Corporation is conducting a potential Members survey for indications of interest in future water service for the purpose of determining the feasibility of an initial construction or expansion project under FmHA guidelines (See Sample application Packet FmHA Form 442-1, Membership Survey Data Sheet), regular application procedures may be modified. An Indication of Interest Fee may be required prior to qualification for receipt of service by the applicant but shall only be used or applied as a membership Fee for Membership purposes (upon issuance of a Membership Certificate) if water service is ultimately received or reserved by the Applicant as a result of the planned project facilities. If service is not provided within the scope of this project, Indication of Interest Fees shall be refunded, less expenses, within sixty (60) days of the loan closing with FmHA.

c. Transfers of Membership.

(1) A Member is entitled to transfer Membership in the Corporation without the prior approval of 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 water 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 record Transferor; and

(e) The Transferee demonstrates satisfactory evidence of ownership of the property designated to receive service and from which the Membership originally arose.

(f) In the event the existing member requests a membership refund, the Corporation shall require the new Member to deposit with the Corporation another Membership Fee equal to that quoted in the corporation's current bylaws.

d. Cancellation of Membership -- To keep a Membership in good standing, a minimum 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. 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 3.a. of this Tariff.

e. Liquidation Due to Delinquency -- When the amount of the delinquent minimum monthly charges, gallonage charges, penalties, and service fees owed by the member equals the membership Fee, the Membership Fee shall be liquidated and the Membership cancelled 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. The Corporation shall collect any remaining account balances through appropriate means. Reinstatement of service shall be subject to the terms of the Activations of Service Sub Section 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 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 Cancelled Membership -- The Corporation, upon cancellation of memberships rights thereby granted to any person who satisfactorily demonstrated 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 Memberships. However, notification to the holder of any security interests (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 Misc. Transaction Forms). Prior to the cancellation of any Membership as provided under Sub-Section 6.d. (Cancellation of Membership), the corporation will 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 transfer the Membership to the holder of such security interest in lieu of cancellation, provided the holder of the security interest pays in full all delinquent and unpaid obligations and provided further that the holder of the security interest has secured title to the real property from which the Membership arose. 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 LHWSC Member renting or leasing property to other parties are responsible for all charges due the Corporation in the event a renter or lessee leaves the Corporation with any unpaid bills. The Corporation will bill the renter or lessee for water service 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 Misc. 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.

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 which would jeopardize the welfare of the member/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 water service has been requested when there is reason to believe that a hazardous condition may exist for which access is necessary to verify;
- e. Failure of applicant or Transferee to comply with all governmental rules and regulations of the Corporation 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, of the basis of its refusal, and 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. 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;

b. Violation of Corporation's rules pertaining to operation of non-standard equipment or unauthorized attachments which interferes with the service of others, or other services such as communication services, unless the Member has first been notified and been afforded reasonable opportunity to comply with said rules;

c. Failure to pay a bill of another member as guarantor thereof unless the guarantee was made in writing to the Corporation as a condition precedent to service;

d. Delinquency in payment for service by a previous occupant of the premises to be served;

e. Failure to pay for materials or charges for non-utility service provided by the Corporation.

11. Deferred Payment Agreement. The Corporation may offer a deferred payment plan to a Member who cannot pay an outstanding balance in full and is willing to pay the balance in reasonable installments as determined by the Corporation, including an Late Penalty Fees or interest on the monthly balance to be determined as per agreement. (See Misc. Transaction Forms.)

12. (Reserved)

13. Charge Distribution and Payment Application.

a. The Minimum Monthly Charge or the Reserved Service Charge is applied from the first day of the month to the last day of the month. Charges shall be prorated for meter installations and service terminations falling during the calendar month. Billings for this amount shall be mailed on/or about the xxth 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. Gallonage Charge, defined as water usage in excess of the water allotment included in the Minimum Monthly Charge, shall be billed at the rate specified in Section G, and shall be billed in one hundred (100) gallon increments. Water charges for usage exceeding the monthly allotment 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 by the date indicated on the bill (allowing approximately fifteen (15) days to pay), after which time a penalty shall be applied as described in Section G. A bill is delinquent if not paid by the due date. Payments made by mail will be considered late if postmarked after the due date. A 5 (five) day grace period may then be allowed for delayed payments prior to mailing of final notices. Final notices shall be mailed allowing ten (10) additional days for payment prior to disconnection. The ten (10) additional days shall begin on the day the final notice is deposited with the U.S. Postal Service with sufficient postage. If the due date for the regular or final billing is on a weekend or holiday, the next due date for payment purposes shall be the next day the Corporation office is open for business after said weekend or holiday. For all disputed payment deadlines, the date postmarked on each bill will determine the beginning of each billing cycle or final notice mailings.

15. Rules for Disconnection of Service. The following describes the rules and conditions for disconnection of service:

a. Disconnection With Notice -- Water utility service may be disconnected for any of the following reasons after proper notification has been given:

(1) Returned Checks -- In the event a check, draft, or any other similar instrument is given by a person, firm, corporation, or partnership to the Corporation for payment of services provided for in this Tariff, and the instrument is returned by the bank or other similar institution as insufficient or non-negotiable for any reason, the Corporation shall mail, via the U.S. Postal Service, a notice requiring redemption of the returned instrument within ten (10) days of the date of the notice to be made in the Corporation office. Redemption of the returned instrument shall be made by cash, money order, or certified check. Failure to meet these terms shall initiate disconnection of service.

(2) Failure to pay a delinquent account for utility service or failure to comply with the terms of a deferred payment agreement;

(3) Violation of the Corporation's rules pertaining to the use of service in a manner which interferes with the service of others or the operation of non-standard equipment if a reasonable attempt has been made to notify the Member and the member is provided with a reasonable opportunity to remedy the situation;

(4) Failure of the Member to comply with the terms of the Corporation's Service Agreement, Tariff, Bylaws, or Special Contract provided that the Corporation has given notice of said failure to comply, and Member has failed to comply within a specified amount of time after notification.

(5) Failure to provide access to the meter under the terms of this Tariff or to property at which water service is received when there is reason to believe that a hazardous condition or policy violation exists for which access is necessary to verify.

(6) Misrepresentation by any applicant or Transferee of any fact or any form, document, or other agreement required to be executed by the Corporation.

(7) Failure of member to meet requirements of the regulatory authority for construction or maintenance of on-site sewage facilities as authorized by the Texas Sanitation and Health Protection Law, TCS, Article 4477-1.

(8) Failure of Member to re-apply for service upon notification by the Corporation that Member no longer meets the terms of the service classification originally applied for under the original service application.

b. Disconnection Without Notice -- Water utility service may be disconnected without notice for any of the following conditions:

(1) A known dangerous or hazardous condition exists for which service may remain disconnected for as long as the condition exists, including but not limited to a violation of the Texas Sanitation and Health Protection Law 4477-1, or there is reason to believe a dangerous or hazardous condition exists and the Member refuses to allow access for the purpose of confirming the existence of such condition and/or removing the dangerous or hazardous condition;

(2) Service is connected without authority by a person who has not made application for service or who has reconnected service without authority following termination of service for nonpayment; and

(3) In instances of tampering with the Corporation's meter or equipment, by-passing the meter or equipment, or other diversion of service.

Where reasonable, given the nature of the reason for disconnection, a written statement providing notice of disconnection and the reason therefore shall be posted at the place of common entry or upon the front door of each affected residential unit as soon as possible after service has been disconnected.

c. Disconnection Prohibited -- Utility service may not be disconnected for any of the following reasons:

(1) Failure of the member to pay for merchandise or charges for non-utility service provided by the Corporation, unless an agreement exists between the Applicant and the Corporation whereby the Member guarantees payment of non-utility service as a condition of service;

(2) Failure of the Member to pay for a different type or class of utility service unless a fee for such service is included in the same bill;

(3) Failure of the Member to pay charges arising from an underbilling occurring due to any misapplication of rates more than six (6) months prior to the current billing;

(4) Failure of the member to pay the account of another member as guarantor thereof, unless the Corporation has in writing the guarantee as a condition precedent to service;

(5) Failure of the Member to pay charges arising from an underbilling due to any faulty metering, unless the meter has been tampered with or unless such underbilling charges are due to meter reading error.

(6) Failure of the Member to pay estimated bill other than a bill rendered pursuant to an approved meter reading plan, unless the corporation is unable to read the meter due to circumstances beyond its control;

(7) In response to a request for disconnection by an Owner/Member of rental property where the renter is billed directly by the Corporation as authorized by the owner, and the renter's account is not scheduled for disconnection under the Rules for Disconnection of Service in this Tariff.

d. Disconnection on Holidays and Weekends -- Unless a dangerous condition exists or the member requests disconnection, service shall not be disconnected on a day, or on a day preceding a day, when personnel of the Corporation are not available to the public for the purpose of making collections and reconnection service.

e. Disconnection Due to Utility Abandonment -- The Corporation may not abandon a Member or a Certificated Service Area without written notice to its members and all similar neighboring utilities and approval from the Texas Water Commission.

f. Disconnection for Ill and Disabled -- the Corporation may not discontinue service to a delinquent residential Member permanently residing in an individually metered dwelling unit when that Member establishes that discontinuance of service will result in some person at that residence becoming seriously ill or more seriously ill if service is discontinued. Each time a Member seeks to avoid termination of service under this Sub-section, the Member must have the attending physician call or contact the Corporation within sixteen (16) days of issuance of the bill. A written statement must be received by the Corporation from the physician within twenty-six (26) days of the issuance of the utility bill. The prohibition against service termination shall last sixty-three (63) days from the issuance of the utility bill or such lesser period as may be agreed upon by the Corporation and member's physician. The member shall enter into a Deferred Payment Agreement.

g. Disconnection of Master-Metered Services -- When a bill for water utility services is delinquent for a master-metered service complex (defined as a complex in which a single meter serves two (2) or more residential dwelling units), the following shall apply:

(1) The Corporation shall send a notice to the Member as required. This notice shall also inform the Member that notice of possible disconnection will be provided to the tenants of the service complex in six (6) days if payment is not rendered before that time.

(2) At least six (6) days after providing notice to the member and at least four (4) days prior to disconnection, the Corporation shall post at least five (5) notices in public areas of the service complex notifying the residents of the scheduled date for disconnection of service.

(3) The tenants may pay the Corporation for any delinquent bill in behalf of the owner to avert disconnection or to reconnect service to the complex.

16. Billing Cycle Changes. The Corporation reserves the right to change its billing cycles if the work load requires such practice. After a billing period has been changed, the billings shall be sent on the new change date unless otherwise determined by the Corporation.

17. Back-billing. The Corporation may back-bill a Member for up to four (4) years (48 months) for meter error, misapplies meter multiplier, incorrect meter readings, or error in computing a member's bill. Failure to pay the most recent six (6) months billing will result in disconnection of service and the re-establishment of credit. Back-billing shall not extend beyond current membership except in cases involving the transfer of a membership conditioned upon payment of delinquent obligations by the Transferee, as provided under Sub-Section 6.h.

18. Disputed Bills. In the event of a dispute between the member and the Corporation regarding any bill, the Corporation shall forthwith make and conduct an investigation as shall be required by the particular case, and report the results in writing thereof to the member. All disputes under this Subsection must be submitted to the Corporation, in writing, prior to the due date posted on said bill except in cases involving the transfer of a membership conditioned on payment of delinquent obligations by the Transferee, as provided under Sub-Section 6.h.

19. Inoperative Meters. Water meters found inoperative will be repaired or replaced within a reasonable time. If a meter is found not to register for any period, unless by-passed or tampered with, the Corporation shall make a charge for units used, but not metered, for a period not to exceed three (3) months, based on amounts used under similar conditions during the period preceding or subsequent thereto, or during corresponding periods in previous years.

20. Bill Adjustment Due To Meter Error. The Corporation shall test any Member's meter upon written request of the Member. In the event the meter tests within the accuracy standards of The American Water Works Association, a test fee as prescribed in Section G of this Tariff shall be imposed. In the event the test results indicate that the meter is faulty or inaccurate, the test fee shall be waived, the meter shall be calibrated or replaced, and a billing adjustment may be made as far back as six (6) months but not extending beyond current membership except in cases involving the transfer of a Membership conditioned on payment of delinquent obligations by the Transferee, as provided under Sub-Section 6.h. The billing adjustment shall be made to the degree of the meter's inaccuracy as determined by the test. The Member shall complete a Meter Test Request Form prior to the test. (See Misc. Transaction Forms.)

21. Meter Tampering and Diversion. For purposes of these Sections, meter-tampering, by-passing, or diversion shall all be defined as tampering with the Corporation's meter or equipment, by-passing the same, or other instances of diversion, such as removing a locking or shut-off device used by the Corporation to discontinue service, physically disorienting the meter, attaching objects to the meter to divert service or to by-pass, inserting objects into the meter, and other electrical and mechanical means of tampering with, by-passing, or diverting service. the burden of proof of meter-tampering, by-passing, or diversion is on the Corporation. Photographic evidence or any other reliable and credible evidence may be used; however, any evidence shall be accompanied by a sworn affidavit by the corporation's staff when any action regarding meter-tampering as provided for in these Sections is initiated. A court finding of meter-tampering may be used instead of photographic or other evidence, if applicable. Unauthorized users of services of the Corporation shall be prosecuted to the extent allowed by law.

22. Meter Relocation. Relocation of meters/taps shall be allowed by the Corporation provided that:

- a. No transfer of Membership is involved;
- b. An easement for the proposed location has been granted to the Corporation;
- c. The property of the new location requested is owned by the current Member of the meter to be moved;
- d. The existing tap location is contiguous to the proposed tap location; and
- e. The Member pays the actual cost of relocation plus administrative fees.

23. Prohibition of Multiple Connections To A Single Tap.

In order that the Corporation may maintain adequate records of the actual number of users on its system to assure compliance with Texas Department of health Rules and Regulation on minimum service standards, to ensure that charges are received for each user on the system, and to ensure that the corporation's metering device is adequately sized for proper flow and accurate measurement of water used, all connections of any dwelling, household, business, and/or water-consuming establishment currently receiving or planning to receive water service, either directly or indirectly from the Corporation's water system, shall individually apply for service under the rules of this Tariff. Any unauthorized submetering of service shall be considered a Multiple connection and subject to disconnection of service. If the Corporation has sufficient reason to believe a Multiple Connection exists, the Corporation shall discontinue service under the disconnection with Notice provisions of this Tariff.

24. Member's Responsibility.

a. The Member shall provide access to the meter at all reasonable times for the purpose of reading, installing, checking, repairing, or replacing the meter. Member shall provide a key to locked gates. If the gate to the Member's premise is locked, preventing the reading of the meter, an estimated bill shall be rendered to the Member for the month; and a notice shall be sent to the effect that entrance could not be gained and that a key should be furnished or the gate unlocked for each reading period. should the gate remain locked for three (3) consecutive months after proper notification to the member, then service shall be discontinued and the meter removed with no further notice.

b. The member shall see that all plumbing connections shall be made to comply with the Texas Department of health Rules and Regulations.

(1) All connections shall be designed to ensure against back-flow or siphonage into the Corporation's water supply. In particular, livestock water troughs shall be plumbed above the top of the trough with air space between the discharge and the water level in the trough.

(2) The use of pipe and pipe fittings that contain more than 8.0% lead or solder and flux that contain more than 0.2% lead is prohibited for any plumbing installation or repair of any residential or non-residential facility providing water for human consumption and connected to the Corporation's facilities.

Service shall be discontinued without further notice when installations of new facilities or repair of existing facilities are found to be in violation of this regulation until such time as the violation is corrected.

c. A Member owning more than one (1) Membership Certificate shall keep all payments current on all accounts. Failure to maintain current status on all accounts shall be enforceable as per Service application and Agreement executed by the Member.

d. The Corporation's ownership and maintenance responsibility of water supply and metering equipment shall end at the point where the member connects to the equipment provided by the corporation during the installation of the metering equipment. Therefore, all water usage registering upon and/or damages occurring to the metering equipment owned and provided by the Corporation shall be subject to charges as determined by the Corporation's Tariff as amended from time to time by the Board of Directors.