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10377
Melrose Water Supply Corporation
Route 2 Box 3553
Nacogdoches, Texas 75961
Phone: (936) 560-2360 Fax: (936) 560-5446

RECEIVED

August 1, 2000

AUG 04 2000

RE: Drought Contingency Plan

SURFACE WATER USES SECT.
TNRCC

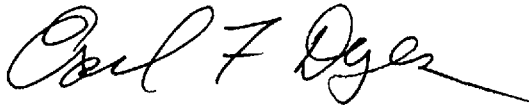
Texas Natural Resource Conservation Commission
Utilities & Districts Section, MC - 153
Post Office Box 13087
Austin, Texas 78711-3087

Attention: Utilities & districts Section

Dear Texas Natural Resource Conservation Commission,

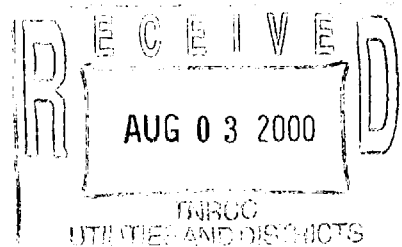
This letter is in regards to the upcoming deadline for submittal on the Drought Contingency Plan. We are requesting that the enclosed Drought Contingency Plan be included in the tariff of Melrose Water Supply Corporation.

Sincerely,



Melrose Water Supply Corporation
Carl F. Dyes / Manager

AMT



**DROUGHT CONTINGENCY PLAN
FOR THE INVESTOR OWNED UTILITY
Melrose Water Supply Corporation
(August 1, 2000)**

Section I: Declaration of Policy, Purpose, and Intent

In cases of extreme drought, period of abnormally high usage, system contamination, or extended reduction in ability to supply water due to equipment failure, temporary restrictions may be instituted to limit non-essential water usage. The purpose of the Drought Contingency Plan is to encourage customer conservation in order to maintain supply, storage, or pressure or to comply with the requirements of a court, government agency, or other authority.

Water restriction is not a legitimate alternative when the water system does not meet the Texas Natural Resource Conservation Commission's capacity requirements under normal conditions, nor when the utility fails to take all immediate and necessary steps to replace or repair malfunctioning equipment.

Section II: Public Involvement

Opportunity for the public to provide input into preparation of the plan was provided by the Melrose Water Supply Corporation by means of mailed survey with summary of results.

Section III: Public Education

The Melrose Water Supply Corporation will periodically provide the public with information about the Plan, including information about the conditions under which each stage of the Plan is to be initiated or terminated and the drought response measures to be implemented in each stage. This information will be provided by means of utility bill inserts.

Section IV: Coordination with Regional Water Planning Groups

The service area of the Melrose Water Supply Corporation is located within the Region I and Melrose Water Supply Corporation has provided a copy of this Plan to the Deep East Texas Region I.

Section V: Declaration

DECLARATION OF WATER RESTRICTION: When there is an acute water supply shortage to such an extent that normal use patterns can no longer be served, the utility may implement a water restriction program in the following manner.

Section VI: Notice Requirements

Written notice will be provided to each customer **before implementation or termination of each stage of the water restriction program**. Mailed notice must be given to each customer 72 hours prior to the start of the water restriction. If notice is hand delivered, the utility cannot enforce the provisions of the plan for 24 hours after notice is provided. The written notice to customers will contain the following information:

- a) the date restrictions will begin,
- b) the circumstances that trigger the restrictions,
- c) the stages of response and explanation of the restrictions to be implemented, and,
- d) an explanation of the consequences for violations.

The utility must notify the TNRCC by telephone at (512) 239-6020, or electronic mail at watermon@tnrcc.state.tx.us prior to implementing the program and must notify in writing the Public Drinking Water Section at MC - 155, P.O. Box 13087, Austin, Texas 78711-3087 within five (5) working days of implementation including a copy of the utility's restrictions notice. The utility must file a status report of its restriction program with the TNRCC every 30 days that the restriction continues.

Section VII: Violations

1. First violation - The customer will be notified by written notice of their specific violation.
2. Second violation - After written notice the utility may install a flow restricting device in the line to limit the amount of water which will pass through the meter in a 24 hour period. The utility may charge the customer for the actual cost of installing and removing the flow-restricting device, not to exceed \$50.00.
3. Subsequent violations - The utility may discontinue service at the meter for a period of seven (7) days, or until the end of the calendar month, whichever is LESS. The normal reconnect fee of the utility, \$35.00, will apply for restoration of service.

Section VIII. Exemptions or Variances

The utility may grant any customer an exemption or variance from the drought contingency plan for good cause **upon written request**. A customer who is refused an exemption or variance may appeal such action of the utility by written appeal to the Texas Natural Resource Conservation Commission. The utility will treat all customers equally concerning exemptions and variances, and shall not discriminate in granting

exemption or variance. No exemption or variance shall be retroactive or otherwise justify any violation of this Plan occurring prior to the issuance of the variance.

Section IX: Criteria for Initiation and Termination of Drought Response Stages

Unless there is an immediate and extreme reduction in water production, or other absolute necessity to declare an emergency or severe condition, the utility will initially declare Stage I restrictions. If, after a responsible period of time, demand is not reduced enough to alleviate outages, reduce the risk of outages, or comply with restrictions required by court, government agency or other authority, Stage II may be implemented with Stage III to follow if necessary.

STAGE I - VOLUNTARY WATER USE RESTRICTIONS:

Goal: Achieve a voluntary 10 percent reduction in total water use.

Supply Management Measures:

Every April 1st, the utility will mail a public announcement to its customers. This announcement will be designed to increase customer awareness of water conservation and encourage the most efficient use of water. A copy of the current public announcement on water conservation awareness shall be kept on file available for inspection by the TNRCC.

Voluntary Water Restrictions:

Water customers are requested to voluntarily limit the use of water for non-essential purposes and to practice water conservation.

STAGE II - MILD WATER USE RESTRICTIONS:

Goal: Achieve a voluntary 20 percent reduction in total water use.

Requirements for initiation

Customers shall be required to comply with the requirements and restrictions on certain non-essential water uses when the storage tank does not refill over night, or as normal, when service pumps run continuously for more than 6 hours, when rainfall is 50% less than normal, or catastrophic equipment failure.

Requirements for Termination

Stage II of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of 3 days. Upon termination of Stage II, Stage I becomes operative.

Supply Management Measures

Visually inspect lines and repair leaks on a daily basis.

STAGE III - MODERATE WATER USE RESTRICTIONS:

Goal: Achieve a voluntary 30 percent reduction in total water use.

Requirements for initiation

Customers shall be required to comply with the requirements and restrictions on certain non-essential water uses when notification is received requesting initiation of Stage III of the Drought Contingency Plan.

Requirements for Termination

Stage III of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of 3 days. Upon termination of Stage III, Stage II becomes operative.

Supply Management Measures

Visually inspect lines and repair leaks on a daily basis. Flushing is prohibited except for dead end mains.

Water Use Restrictions: The following water use restrictions shall apply to all customers.

1. Irrigation of landscaped areas with hose-end sprinklers or automatic irrigation systems **shall be limited to Mondays for water customers with street address beginning with the numbers 1, 2, or 3, Wednesdays for water customers with street address beginning with the numbers 4, 5, or 6, and Fridays for water customers with a street address beginning with the numbers 7, 8, or 9.** Irrigation of landscape is further limited to the hours of 12:00 midnight until 10:00 a.m. and between 8:00 p.m. and 12:00 midnight on designated watering days. However, irrigation of landscaped areas is permitted at anytime if it is by means of a hand-held hose, a faucet filled bucket or water can of five (5) gallons or less, or drip irrigation system.
2. Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane, or other vehicle is prohibited except on designated watering days between the hours of 12:00 midnight and 10:00 a.m. and between 8:00 p.m. and 12:00 midnight. Such washing, when allowed, shall be done with a hand-held bucket or a hand-held hose equipped with a positive shutoff nozzle for quick rinses. Vehicle washing may be done at any time on the immediate premises of a commercial car wash or commercial service station. Further, such washing may be exempted from these regulations if the health, safety, and welfare of the public are contingent upon frequent

- vehicle cleansing, such as garbage trucks and vehicles used to transport food perishables.
3. Use of water to fill, refill, or add to any indoor or outdoor swimming pools, wading pools, or "Jacuzzi" type pools is prohibited except on designated watering days between the hours of 12:00 midnight and 10:00 a.m. and between 8:00 p.m. and 12:00 midnight.
 4. Operation of any ornamental fountain or pond for aesthetic or scenic purpose is prohibited except where necessary to support aquatic life or where such fountains or ponds are equipped with a re-circulation system.
 5. Use of water from hydrants or flush valves shall be limited to maintaining public health, safety, and welfare.
 6. Use of water for irrigation of golf courses, parks, and green belt areas is prohibited except by hand held hose and only on designated watering days between the hours of 12:00 midnight and 10:00 a.m. and between 8:00 p.m. and 12:00 midnight.
 7. The following uses of water are defined as non-essential and are prohibited:
 - a. wash down of any sidewalks, walkways, driveways, parking lots, tennis courts, or other hard-surfaced areas;
 - b. use of water to wash down buildings or structures for the purposes other than immediate fire protection;
 - c. use of water for dust control;
 - d. flushing gutters or permitting water to run or accumulate in any gutter or street; and
 - e. failure to repair a controllable leak(s) within a reasonable period after having been given notice directing the repair of such leak(s).

STAGE IV - CRITICAL WATER USE RESTRICTIONS:

Goal: Achieve a per customer limit in water equivalent to or below the winter months average per customer.

Requirements for initiation

Customers shall be required to comply with the requirements and restrictions for Stage IV when the utility determines that a water supply emergency exists based on:

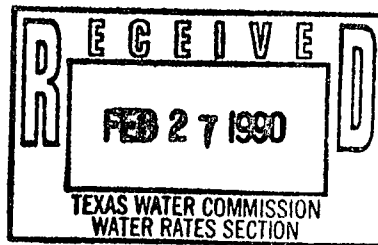
1. Major water lines break, or pump or system failures occur, which cause unprecedented loss of capability to provide water service; **or**
2. Natural or man-made contamination of the water supply source(s).

Requirements for Termination

Stage IV of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of 3 consecutive days. Upon termination of Stage IV, Stage III becomes operative.

Supply Management Measures: All outdoor use of water is prohibited.

1. Irrigation of landscaped areas is absolutely prohibited.
2. Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane, or other vehicle is absolutely prohibited.



MELROSE WATER SUPPLY CORPORATION

RT. 2 BOX 3553

NACOGDOCHES, TEXAS 75961

Nacogdoches County

(409) 560-2360

CCN 10377

PREPARED JANUARY, 1990

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RESOLVED BY THE BOARD OF DIRECTORS OF THE MELROSE WATER SUPPLY CORPORATION THAT:

1. This Tariff of Melrose WSC, serving parts of Nacogdoches County, consisting of Sections A through K inclusive, is hereby adopted and enacted as the current regulations which shall supersede all policies passed by the Board of Directors before January 09, 1990, to the extent provided in paragraph 2 hereof.

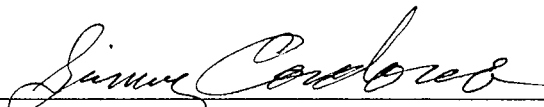
2. No prior agreement executed by the Board of Directors is repealed by any provision contained herein, save and except as provided in the terms of that agreement.

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 09th day of JANUARY, 1990.



President, Melrose Water Supply Corporation

ATTEST:



Secretary, Melrose Water Supply Corporation

SECTION B: STATEMENTS

1. Organization. The Melrose 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 Melrose Water Supply Corporation, also referred to as Corporation, or Melrose WSC. 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 gives 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 meeting, 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.

DATE APPROVED: January 09, 1990

MELROSE WSC

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 Melrose WSC is not liable for damages caused by service interruptions, events beyond its control, and for normal system failures. The limit of liability of the Melrose WSC 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 Nacogdoches, Texas. These 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.

DATE APPROVED: January 09, 1990

MELROSE WSC

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 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 for discussion and resolution. If not resolved to the satisfaction of the aggrieved party then,

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.

DATE APPROVED: January 09, 1990

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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 Melrose Water Supply Corporation.

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

BYLAWS - The rules pertaining to the governing of the Melrose 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 Melrose Water Supply Corporation to provide water utility service within a defined territory. Melrose Water Supply Corporation has Certificate Number 10377. Territory defined in the CCN shall be the Certificated Service Area.

CORPORATION - The Melrose 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.

DATE APPROVED: January 09, 1990

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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 Melrose Water Supply Corporation shall determine if a plat submitted for the purposes of this Tariff shall qualify as a final plat.

FRONT-END CAPITAL CONTRIBUTION - 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 Melrose 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.

DATE APPROVED: January 09, 1990

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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 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 modifications 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.

DATE APPROVED: January 09, 1990

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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 request 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 Melrose Water Supply Corporation Membership 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.

DATE APPROVED: January 09, 1990

MELROSE WSC

SECTION E: SERVICE RULES AND REGULATIONS

1. Service Entitlement. An Applicant shall be considered fully qualified and eligible for 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 only 5/8" X 3/4" to 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.

DATE APPROVED: January 09, 1990

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(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) 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.

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 in advance of installation or in advance of reservation of service capacity including, as applicable, the Membership Fee, any Easement Fees, and the Front-end Capital Contributions as required under Section G of this Tariff.

b. Re-Service -- On property where service previously existed, the Corporation shall charge the Membership Fee and labor and material costs necessary to restore service. This fee shall be cost-based.

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, for Standard Service.

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.

DATE APPROVED: January 09, 1990

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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.

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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 qualifications 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.

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 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).

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(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.

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.

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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 Activation 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 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 Memberships. 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 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

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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 of Rental Property. Under no circumstances shall the Corporation bill a renter/lessee in behalf of a Member. However, if the Member's account becomes delinquent, the renter/lessee may pay the Corporation for all charges to avert disconnection or to reconnect water service.

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 condition which 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 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;

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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 under-billing 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 any Late Penalty Fees or interest on the monthly balance to be determined as per agreement. (See Misc. Transaction Forms.)

12. Charge Distribution and Payment Application.

a. The Minimum Monthly Charge or the Reserved Service Charge is applied from the 20th day of the month to the 20th day of the next month. Billings for this amount shall be mailed on or about the 1st 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.

13. Due Dates, Delinquent Bills, and Service Disconnection Date. The Corporation shall mail all bills on or about the 1st 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. 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.

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14. 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.

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(6) Misrepresentation by any Applicant or Transferee of any fact on 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 therefor 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 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 reconnecting 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.

15. 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.

16. Back-billing. The Corporation may back-bill a Member for up to four (4) years (48 months) for meter error, mis-applied 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 reestablishment 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.

17. 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.

18. 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.

19. 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 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.)

20. 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.

21. 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.

22. 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 Regulations 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.

23. 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 premises 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.

e. The Corporation shall require each Member to provide a cut-off valve on the Member's side of the meter for purposes of isolating the Member's service pipeline and plumbing facilities from the Corporation's water pressure. The Member's use of the Corporation's curb stop or other similar valve for such purposes is prohibited. Any damage to the Corporation's equipment shall be subject to service charges. Cut-off valve must be installed on meter nipple on Member's side of meter.

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SECTION F: NON-STANDARD SERVICE REQUIREMENTS

1. Corporation's Limitations. All Applicants shall recognize that the Corporation must comply with local, state, and federal rules and regulations as promulgated from time to time, and by covenants of current indebtedness.

2. Purpose. The purpose of this Section is to govern agreements and service procedures for subdivisions, additions to subdivisions, or developments where service to more than one tract is necessary; and/or additional piping, service facilities, etc. are required to accommodate individual, multiple, commercial, or industrial Applicants. For the purposes of this Tariff, Applications subject to this Section shall be defined as Non-Standard.

3. Application of Rules. This Section may be altered or suspended when applied to planned facility expansions for which the Corporation extends its indebtedness. The Board of Directors of the Corporation shall interpret on an individual basis whether or not the Applicant's service request shall be subject to all or part of the conditions of this Section.

4. Non-Standard Service Application. The Applicant shall meet the following requirements prior to the initiation of a Service Contract by the Corporation:

a. The Applicant shall provide the Corporation a completed Service Application and Agreement giving special attention to the item on SPECIAL SERVICE NEEDS OF THE APPLICANT.

b. A final plat approved by the Corporation must accompany the Application showing the Applicant's requested service area. The plat must be approved by all regulatory authorities having jurisdiction over lot sizes, sewage control, drainage, right-of-way, and other service facilities. Plans, specifications, and special requirements of such regulatory authorities shall be submitted with the plat. Applicants for single taps involving extension or upsizing of facilities shall be required to submit maps or plans detailing the location of the requested extension and details of demand requirements.

c. At the time the Applicant tenders the Application, a Non-Standard Service Investigation Fee (See Section G) to cover initial administrative, legal, and engineering fees shall be paid to the Corporation. The balance of actual expenses shall be refundable to the Applicant and any additional expenses incurred as a result of efforts by the Corporation to study service requirements of the Applicant shall be paid by the Applicant.

d. If after the service investigation has been completed, the Corporation determines that the Applicant's service request is for property outside the Corporation's Certificated Service Area of Public Convenience and Necessity, service may be extended provided that:

(1) The service location is contiguous to or within one-fourth (1/4) mile of the Corporation's Certificated Service Area of Public Convenience and Necessity;

(2) The service location is not in an area receiving similar service from another utility; and

(3) The service location is not within the Area of Public Convenience and Necessity of another similar utility.

5. Design. The Corporation shall study the design requirements of the Applicant's required facilities prior to initiation of a Service Agreement by adopting the following schedule:

a. The Corporation's Consulting Engineer shall design all service facilities for the Applicant's requested service within the Corporation's specifications or within certain codes and specifications of neighboring municipalities for all Non-Standard Service Applications which lie within a five (5) mile margin around the boundaries of municipalities having jurisdiction over such design criteria (municipalities with a population greater than five thousand [5,000]).

b. The Engineer's fees shall be paid out of the Non-Standard Service Investigation Fee, provided however, that the actual costs of the Engineer's services do not exceed the amount of the non-Standard Service Investigation Fee allotted for engineering services. If the Applicant's services exceed the allotted fee, the Applicant shall pay the balance of engineering fees prior to commencing with the service investigation.

c. The Consulting Engineer shall submit to the Corporation a set of detailed plans, specifications, and cost estimates for the project.

d. If no local authority imposes other design criteria on the Applicant's service request, the Corporation's Engineer shall design all facilities for any Applicant to meet the demand for service as platted and/or requested in the plans or plat submitted in application for service. The Corporation reserves the right to upgrade design of service facilities to meet future demands, provided however, that the Corporation pays the expense of such upgrading above the Applicant's facility requirements.

6. Non-Standard Service Contract. All Applicants requesting or requiring Non-Standard Service shall enter into a written contract, drawn up by the Corporation's Attorney, in addition to submitting the Corporation's Service Application and Agreement. Said contract shall define the terms of service prior to construction of required service facilities. Guidelines for the service contract may include, but are not limited to:

a. Definition of all costs associated with required administration, design, construction, and inspection of facilities for water service to the Applicant's service area and terms by which these costs are to be paid.

b. Definition of procedures by which the Applicant shall accept or deny a contractor's bid, thereby committing to continue or discontinue the project.

c. Definition of Front-end Capital Contributions required by the Corporation in addition to the other costs required under this Section.

d. Definition of monthly Reserved Service Charges as applicable to the service request.

e. Definition of terms by which reserved service shall be provided to the Applicant and duration of reserved service with respect to the impact the Applicant's service request will have upon the Corporation's system capability to meet other service requests.

f. Definition of terms by which the Applicant shall be reimbursed or compensated for fees duplicated in assessments for monthly rates and Front-end Capital Contributions.

g. Definition of terms by which the Corporation shall administer the Applicant's project with respect to:

- (1) Design of the Applicant's service facilities;
- (2) Securing and qualifying bids;
- (3) Execution of the Service Agreement;
- (4) Selection of a qualified bidder for construction;
- (5) Dispensing advanced funds for construction of facilities required for the Applicant's service;
- (6) Inspecting construction of facilities; and
- (7) Testing facilities and closing the project.

h. Definition of terms by which the Applicant shall indemnify the Corporation from all third party claims or lawsuit in connection with the project contemplated.

i. Definition of terms by which the Applicant shall deed all constructed facilities to the Corporation and by which the Corporation shall assume operation and maintenance responsibility, including any enforcement of warranties in connection with construction of the Applicant's project.

j. Definition of terms by which the Applicant shall grant title or easement for right-of-ways, constructed facilities, and facility sites and/or terms by which the Applicant shall provide for the securing of required right-of-ways and sites.

k. Definition of terms by which the Board of Directors shall review and approve the Service Contract pursuant to current rules, regulation, and bylaws.

7. Property and Right-of-Way Acquisition. With regard to construction of facilities, the Corporation shall require private right-of-way easements or private property as per the following conditions:

a. If the Corporation determines that right-of-way easements or facility sites outside the Applicant's property are required, the Corporation shall require the Applicant to secure easements or title to facility sites in behalf of the Corporation. All right-of-way easements and property titles shall be researched, validated, and filed by the Corporation at the expense of the Applicant.

b. All facilities required to be installed in public right-of-ways in behalf of the Applicant, due to inability to secure private right-of-way easements, shall be subject to costs equal to the original cost of facility installation for those facilities in public right-of-ways, plus the estimated cost of future relocation to private right-of-ways or subject to the cost of installation under state condemnation procedures, whichever is most desired by the Applicant.

c. The Corporation shall require an exclusive dedicated right-of-way on the Applicant's property (as required by the size of the planned facilities and as determined by the Corporation) and title to property required for other on-site facilities.

d. Easements and facilities sites shall be prepared for the construction of the Corporation's pipeline and facility installations in accordance with the Corporation's requirements and at the expense of the Applicant.

8. Bids For Construction. The Corporation's Consulting Engineer shall advertise for bids for the construction of the Applicant's proposed facilities in accordance with generally accepted practices. Plans and specifications shall be made available, with or without charge, to prospective bidders. Although the Corporation reserves the right to reject any bid or contractor, the Corporation shall generally award the contract to the lowest and best bidder in accordance with the following criteria:

a. The Applicant shall sign the Service Contract noting willingness to proceed with the project and shall pay all costs in advance of construction associated with the project;

b. The Contractor shall provide an adequate bid bond under terms acceptable to the Corporation;

c. The Contractor shall secure adequate performance and payment bonding for the project under terms acceptable to the Corporation;

d. The Contractor shall supply favorable references acceptable to the Corporation;

e. The Contractor shall qualify with the Corporation as competent to complete the work, and

f. The Contractor shall provide adequate certificates of insurance as required by the Corporation.

9. Pre-Payment For Construction And Service. After the Applicant has executed the Service Agreement, the Applicant shall pay to the Corporation all costs necessary for completion of the project prior to construction and in accordance with the terms of the Service Contract.

10. Construction.

a. All road work pursuant to county and/or municipal standards (if applicable) shall be completed prior to facility construction to avoid future problems resulting from road right-of-way completion and excavation. Subject to approval of the requisite authority, road sleeves may be installed prior to road construction to avoid road damage during construction of Applicant's facilities.

b. The Corporation shall, at the expense of the Applicant, inspect the facilities to ensure that Corporation standards are achieved.

c. Construction plans and specifications shall be strictly adhered to, but the Corporation reserves the right to change-order any specifications, due to unforeseen circumstances during the design phase, to better facilitate operation of the Applicant's facility. All change-order amounts shall be charged to the Applicant.

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SECTION G: RATES AND SERVICE FEES

Unless specifically defined in this Tariff, all fees, rates, and charges as herein stated shall be non-refundable.

1. Service Investigation Fee. The Corporation may conduct a service investigation for each service application submitted at the Corporation office. An initial determination shall be made by the Corporation, without charge, as to whether the service request is Standard or Non-Standard. An investigation shall then be conducted and the results reported under the following terms:

a. All Standard Service requests shall be investigated without charge and all applicable costs for providing service shall be quoted in writing to the Applicant within ten (10) working days of application.

b. All Non-Standard Service requests shall be subject to a fee, unique to each project, of sufficient amount to cover all administrative, legal, and engineering fees associated with investigation of the Corporation's ability to deliver service to the Applicant, to provide cost estimates of the project, to present detailed plans and specifications as per final plat, to advertise and accept bids for the project, to present a Non-Standard Service Contract to the Applicant, and to provide other services as required by the Corporation for such investigation. A Non-Standard Service Contract shall be presented to the Applicant within a suitable amount of time as determined by the complexity of the project. (See Section F.)

2. Membership Fee. At the time the application for service is approved, a Membership Fee of \$100.00 must be paid for each lot/tap or meter equivalent before service shall be provided or reserved for the Applicant by the Corporation.

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3. Easement Fee. When the Corporation determines that private right-of-way easements and/or facilities sites are necessary to provide service to the Applicant, the Applicant shall be required to secure easements in behalf of the Corporation and/or pay all costs incurred by the Corporation in validating, clearing, and retaining such right-of-way in addition to tap fees otherwise required pursuant to the provisions of this Tariff. The costs may include all legal fees and expenses necessary to attempt to secure such right-of-way and/or facilities sites in behalf of the Applicant.

4. Installation Fee. The Corporation shall charge an installation fee for service as follows:

a. Standard Service shall include all current labor materials, engineering, legal, and administrative costs necessary to provide individual metered service and shall be charged on a per tap basis as computed immediately prior to such time as metered service is requested and installed.

b. Non-Standard Service shall include any and all construction labor and materials, administration, legal, and engineering fees, as determined by the Corporation under the rules of Section F of this Tariff.

c. Standard and Non-Standard Service Installations shall include all costs of any pipeline relocations as per Section E.1.c.(6) of this Tariff.

5. Front-end Capital Contributions. In addition to the Membership Fee, each Applicant shall be required to contribute capital in an amount projected to defray the cost of up-grading system facilities to meet growth demands created by adding customers. This fee shall be assessed immediately prior to providing or reserving service on a per residential meter equivalent basis for each tap/lot and shall be assigned and restricted to the tap/lot for which the service was originally requested. The formula applied to such fee is as follows:

a. Standard Service Installation Fee:

Membership Fee	100.00
Front End Capital Contribution	420.85
Labor and Materials	250.00

Total	770.85
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b. Non-Standard Service Installation Fee:

Membership Fee	100.00
Front End Capital Contribution	420.85
Cost of Labor and Materials to be Determined as per Paragraph 4, Section B above	

6. Monthly Charges.

a. Minimum Monthly Charges -- The monthly charge for metered water service, including allowable gallonage, is based on demand by meter size. Each charge is assessed based on the number of 5/8" X 3/4" meters (as per American Water Works Association maximum continuous flow specifications) equivalent to the size indicated and is used as base multiplier for the minimum monthly charge and allowable gallonage. Rates, equivalents, and allowable gallonages are as follows:

METER SIZE	5/8" X 3/4" METER EQUIVALENTS	ALLOWABLE GALLONAGE	MONTHLY RATE
5/8"X3/4"	1.0	2,000	\$ 10.00
3/4"	1.5	X,000	\$.00
1"	2.5	X,000	\$.00
1 1/2"	5.0	XX,000	\$.00
2"	8.0	XX,000	\$.00
3" DISP.	9.0	XX,000	\$.00
3" CMPD.	16.0	XX,000	\$.00
3" TURB.	17.5	XX,000	\$.00
4" CMPD.	25.0	XX,000	\$.00
4" TURB.	30.0	XX,000	\$.00
6" CMPD.	50.0	XXX,000	\$.00
6" TURB.	62.5	XXX,000	\$.00
8" CMPD.	80.0	XXX,000	\$.00

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b. Reserved Service Charges -- The monthly charge for each active account at a specific location for which a meter has not been installed but for which the Corporation and the Applicant have entered into agreement and/or contract for reserved service. This monthly charge shall be based on the Corporation's monthly operating costs to service the Applicant's dedicated facilities on a per lot/tap or meter equivalency basis. This charge reserves service to the Applicant's service area. This fee is determined on a case by case basis but shall never exceed the Minimum Monthly Charge for Metered Service on a per lot/tap basis for each designated meter size.

c. In addition to the Minimum Monthly Charge, a gallonage charge shall be added at a rate of \$1.25 per 1,000 gallons for any gallonage over 2,000 gallons used in any one (1) billing period.

7. Late Payment Fee. Once per billing period, a penalty of 10% shall be applied to delinquent bills. This late payment penalty shall not be applied to any balance to which the penalty was applied in a previous billing, but shall be applied to any unpaid balance during the current billing period.

a. Owner Notification Fee -- The Corporation may, at the expense of the Member, notify said Member of a renter/lessee delinquent account status prior to disconnection of service. The Owner Notification Fee shall be \$5.00 per notification. (See Misc. Transaction Forms.)

b. Mortgagee/Guarantor Notification Fee -- The Corporation shall assess a fee of \$5.00 for each notification to a Membership lien-holder under agreement prior to Membership cancellation. (See Misc. Transaction Forms.)

8. Returned Check Fee. 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 account for which the instrument was issued may be assessed a return check charge of \$10.00.

9. Reconnect Fee. The Corporation shall charge a fee of \$35.00 for reconnecting service after the Corporation has previously disconnected the service for any reason provided for in this Tariff except for activation of service under Section E.3.b. (ReService.)

10. Service Trip Fee. The Corporation shall charge a trip fee of \$15.00 for any service call or trip to the Member's tap as a result of a request by the Member or resident (unless the service call is in response to damage of the Corporation's or another Member's facilities) or for the purpose of disconnecting or reconnecting service due to non-payment for services.

11. Equipment Damage Fee. If the Corporation's facilities or equipment have been damaged by tampering, by-passing, installing unauthorized taps, reconnecting service without authority, or other service diversion, a fee shall be charged equal to the actual costs for all labor, material, and equipment necessary for repair, replacement, and other Corporation actions. This fee shall be charged and paid before service is re-established. If the Corporation's equipment has not been damaged, a fee equal to the actual costs for all labor, material, equipment, and other actions necessary to correct service diversions, unauthorized taps, or reconnection of service without authority shall be charged. All components of this fee will be itemized, and a statement shall be provided to the Member. If the Corporation's facilities or equipment have been damaged due to negligence or unauthorized use of the Corporation's equipment, right-of-way, or meter shut-off valve, or due to other acts for which the Corporation incurs losses or damages, the Member shall be liable for all labor and material charges incurred as a result of said acts or negligence.

12. Customer History Report Fee. A fee of \$5.00 shall be charged to provide a copy of the Member's record of past water purchases in response to a Member's request for such a record.

13. Meter Test Fee. The Corporation shall test a Member's meter upon written request of the Member. Under the terms of Section E of this Tariff, a charge of \$40.00 shall be imposed on the affected account.

14. Transfer Fee. An Applicant for service who is a Transferee shall complete all required application forms, etc., and pay a Transfer Fee of \$10.00.

15. Membership Certificate Copy Fee. A fee of \$1.00 will be charged to provide a duplicate copy of the Membership Certificate.

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SECTION H: EMERGENCY RATIONING PROGRAM

The following water rationing program is adopted for emergency use only during periods of acute water shortage.

1. Declaration of Emergency. When a system demand exceeds production or storage capability measured over a twenty-four (24) hour period, and refilling the storage facilities is rendered impossible, OR when the Corporation is notified by its wholesale supplier of a cutback in water to be delivered to such an extent that normal use patterns will no longer be possible, the Corporation may declare an emergency to exist, and thereafter ration water in the following manner.

2. Notice Requirements. Written notice of the proposed rationing shall be mailed or delivered to each affected Member seventy-two (72) hours before the Corporation actually starts the program, and shall also be placed in a local newspaper. The Member notice shall contain the following information:

- a. The date rationing shall begin;
- b. The date rationing shall end;
- c. The stage (level) of rationing to be employed;
- d. A copy of this rationing authority; and
- e. Affected area to be rationed.

3. Stage Levels of Rationing.

a. STAGE I (Mild Rationing Conditions) -- Alternate day usage of water for outdoor purposes such as lawns, gardens, car washing, etc. The provisions for alternate day use shall be specified by the Corporation in the written notice.

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b. STAGE I-A (Limited Water Usage) -- The Corporation may limit water usage to a gallonage determined by the water plant's mechanical capability to provide continuous service in direct proportion to the loss of production/re-fill capability at a plant where no back-up facilities are available to remedy the shortage, prorated over all Members served by the water plant. Water restrictors may be installed for Members that exceed the limited gallonage determined by the system's mechanical capability. A flow restrictor shall be installed at the Member's expense (not to exceed actual costs or \$50.00). Tampering with the flow restrictor will result in water service termination for seven (7) days. The normal Reconnection Fee (Service Trip Fee) of the Corporation shall apply for restoration of service. The maximum number of gallons per meter per month shall be contained in the notice to each Member.

c. STAGE II (Moderate Rationing Conditions) -- All outdoor water usage is prohibited; however, usage for livestock is exempt.

d. STAGE III (Severe Rationing Conditions) -- All outdoor water usage is prohibited; livestock may be exempted by the Corporation. All consumption shall be limited to each Member in one of the following ways;

(1) A fixed percentage of each Member's average use in the prior month, the percentage to be uniformly applied on a system-wide basis, each Member being notified of this percentage amount, OR,

(2) A maximum number of gallons per meter (Member) per week, with notice to each Member of this number.

Total percentages under item 1 or maximum number of gallons under item 2 above shall be calculated not to exceed 80% of the system's current production/re-fill capability for the area being rationed.

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4. Violation of Emergency Rationing Rules.

a. First Violation - The Corporation may install a flow restrictor in the line to limit the amount of water which will pass through the meter in a twenty-four (24) hour period. The cost to be charged to the Member's account shall be the actual installed cost to the Corporation, not to exceed \$50.00.

b. Subsequent Violations - The Corporation may terminate service at the meter for a period of seven (7) days, or until the end of the calendar month, whichever is LESS. The normal service trip fee of the Corporation shall apply for restoration of service.

5. Exemptions or Variances From Rationing Rules. The Board of Directors may grant any Member an exemption or variance from the uniform rationing program, for good cause. The Corporation shall treat all Members equally concerning exemptions and variances, and shall not employ discrimination in such grants.

6. Rates. All existing rate schedules shall remain in effect during the rationing period, and no charges may be levied against a Member which are not contained in the approved Tariff of the Corporation.

The purpose of this Emergency Rationing Program is to conserve the total amount of water demanded from the Corporation until supply can be restored to normal levels. This rationing program shall not exceed sixty (60) days without extension by the Board of Directors.

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SECTION I: CONFLICT-OF-INTEREST POLICY

1. A person is disqualified from serving as a Director on the Board for the Corporation if:

a. He or she is currently a developer of new property within the service area of the Corporation;

b. He or she is currently an employee of any developer of property within the service area of the Corporation;

c. He or she is an employee of any director, manager, engineer, or attorney for the Corporation;

d. He or she is serving as a consultant, engineer, attorney, manager, or in any other professional capacity for the Corporation;

e. He or she is a party to a contract with the Corporation, except a contract for the purchase of water/sewer services furnished by the Corporation to the Corporation's members generally, or;

f. He or she is serving as a decision-maker, managerial employee, or in some professional capacity representing a municipality, district, or utility which is currently contracting with the Corporation for water utility or other service or other conditions or considerations.

g. He or she is a member of the immediate family of any Director of the Corporation or of any other person serving in a managerial capacity, as attorney, accountant, or as engineer on behalf of the Corporation or if he or she serves as a director or as an officer for any bank or savings and loan association retained as a depository for the funds of the Corporation, or any bank or savings and loan association which holds any indebtedness of the Corporation.

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2. A person is disqualified from employment by the Corporation if he or she is a member of the immediate family of any Director of the Corporation or of any other person serving in a managerial capacity on behalf of the Corporation.

3. As used in this policy the term "developer of property within the service area of the Corporation" refers to any person who owns land located within an area served by the Corporation, or obligated to be served by the Corporation under a certificate of convenience and necessity, and who has divided or proposes to divide the land into two or more parts for the purpose of laying out a subdivision, or for laying out residential lots or commercial lots, or any lots intended for any uses which require, or may require, water/sewer service from the Corporation.

4. Any relationship or employment which constitutes a disqualification as set forth herein shall be considered grounds for removal or for termination of employment.

5. No Officer or Director of the Corporation shall be entitled to any compensation for or in consideration of the execution of his duties as such Officer or Director, provided, however, that the actual, reasonable expenses of an Officer or Director incurred on the business of the Corporation may, with the approval of the Board of Directors, be paid to them.

6. No Officer or Director of the Corporation shall:

a. Solicit or accept or agree to accept a financial benefit, other than from the Corporation, that might reasonably tend to influence his or her performance of duties for the Corporation or that he or she knows or should know is offered with the intent to influence the Officer's or Director's performance of his or her duties;

b. Accept employment or compensation that might reasonably induce him or her to disclose confidential information acquired in the performance of official duties;

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c. Accept outside employment or compensation that might reasonably be expected to create a substantial conflict between the Officer's and Director's private interest and duties of the Corporation; or

d. Solicit or accept or agree to accept a financial benefit from another person in exchange for having performed duties as an Officer or Director of the Corporation in favor of that person.

7. The Board of Directors may accept on behalf of the Corporation any contribution, gift, bequest, or devise for the general purpose or for any special purpose of the Corporation, provided, however, that the Board of Directors may reject any donation made upon a condition or restriction if in the discretion of the Board of Directors the acceptance of the donation as so conditioned or restricted will not be in the best interests of the Corporation.

8. The removal of any Director of the Corporation because of disqualification under this policy shall not affect the validity of any action taken by the Corporation through its Board of Directors during the time of service by that Director, even though the Director may have been acting under the disqualification at the time of such service.

9. If at any time any Officer or Director is required to vote in his or her capacity as a director on an issue which may create a conflict of interest, which may be deemed a conflict of interest by the Board, or which may be interpreted by the membership as a conflict of interest, the Officer or Director shall abstain from voting, as a matter of record, on that issue.

10. Except as otherwise provided by the laws of the state or federal government, the Board of Directors of the Corporation have the right to negotiate any contract for goods or services in order to insure that local or competent personnel are used. When bids are required the Corporation shall adhere to the following policy for awarding contracts:

a. The board may advertise for bids for contracts for the purchase of materials, machinery, and all things to constitute the plant, works, facilities, and improvements of the Corporation or for construction.

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b. A contract may cover all the improvements to be provided by the Corporation, or the various elements of the improvements may be segregated for the purpose of receiving bids and awarding contracts. A contract may provide that the improvements will be constructed in stages over a period of years.

c. A contract may provide for the payment of a total sum that is the completed cost of the improvement or may be based on bids to cover cost of units of the various elements entering into the work as estimated and approximately specified by the Corporation's engineers, or a contract may be let and awarded in any other form or composite of forms and to any responsible person or persons that, in the Board's judgment, will be most advantageous to the Corporation and result in the best and most economical completion of the Corporation's proposed plants, improvements, facilities, works, equipment, and appliances.

d. For contracts for \$25,000 or more, the Board may advertise the letting of the contract, including the general conditions, time, and place of opening of sealed bids. The notice shall be published in one or more newspapers with general circulation in the state, and one or more newspapers published in each county in which part of the Corporation is located. If there are more than four counties in the Corporation's area, notice may be published in any newspaper with general circulation in the area. If no newspaper is published in the county or counties in which the Corporation is located, publication in one or more newspapers with general circulation in the state is sufficient. The notice shall be published once a week for three consecutive weeks before the date that the bids are opened, and the first publication shall be not later than the 21st day before the date of the opening of the sealed bids.

e. For contracts for \$15,000 or more but less than \$25,000, the Board may solicit written competitive bids on uniform written specifications from at least three bidders.

g. The Board may not subdivide work to avoid the advertising requirements specified in this policy.

h. The Board may not accept bids that include substituted items, either before or after the Corporation enters into a construction contract, unless the substituted items were included in the original bid proposal and all bidders had the opportunity to bid on the substituted items.

i. Change orders to contracts may be issued only as a result of unanticipated conditions encountered during construction or changes in regulatory criteria, or to facilitate project coordination with other political entities.

j. These policy provisions do not apply to contracts for personal or professional services or for a utility service operator.

BY-LAWS

MELROSE WATER SUPPLY CORPORATION

Bylaws of Melrose Water Supply Corporation, having been presented to the Board of Directors of said Corporation and duly adopted as follows:

ARTICLE I

The President shall preside at all Members' and Directors' meetings. He may, and upon demand of one-third (1/3) of the Members shall, call a special meeting of the Members or Directors, and he may, and shall, upon demand of one-third (1/3) of such Directors, call a special meeting of the Directors or Membership. Such special meeting shall be held upon giving the notice required in Article XII of the by-laws. He shall perform all other duties that usually pertain to the office or are delegated to him by the Board of Directors.

ARTICLE II

The Vice-President shall, in case of the absence or disability of the President, perform the duties of the President.

ARTICLE III

The Secretary-Treasurer shall have the custody of all the monies and securities of the Corporation. He shall have kept regular books and minutes of all meetings of Members and Directors. All monies of the Corporation shall be deposited by him in such depository as shall be selected by the Directors. Checks must be signed by him or the President or Vice-President, and counter-signed by another member. He shall have custody of the seal of the Corporation and affix it as directed hereby or resolution passed by the Board of Directors.

The position of the Secretary-Treasurer shall be placed under a fidelity bond in an amount which shall be set by the Board of Directors. The amount of said bond shall be set from time to time by the Board of Directors, but shall not be less than \$1,000.

ARTICLE IV

Section 1. The Board of Directors shall consist of seven (7) directors, a majority of whom shall constitute a quorum. Upon issuance of the Charter and annually thereafter no later than thirty (30) days after the Annual Stockholders Meeting, the Board of Directors shall elect a President, a Vice-President and a Secretary-Treasurer. The Directors shall be elected by the Members at the Members' regular meeting provided for in Article XI of the By-Laws. The Directors shall be divided into a class of four and a class of three, the terms of the Directors of the first class to expire at the first annual meeting of the shareholders after their election, the terms of the Directors of the second class to expire at the second annual meeting after their election. At each annual meeting after such classification, the number of Directors equal to the number of the class whose term expires at the time of such meeting shall be elected to hold office until the second succeeding annual meeting. The Directors shall serve without pay, but may be compensated for actual expenses by a majority vote of Directors. Upon the death or resignation of a Director, a successor shall be elected by a majority of the Directors remaining to serve out the remaining portion of the term thus vacated.

Section 2. Officers and Directors may be removed from office in the following manner except as otherwise provided in Article V: 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) per cent 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 2/3 majority of those voting if a quorum is present. The Director(s) or Officer(s) against whom such charges have been presented shall be informed in writing of such charges at least twenty 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 or persons presenting such charges shall have the same opportunity. If the removal of a Director(s) is approved, such action shall also vacate any other offices(s) held by the removed Director(s) in the Corporation. A vacancy in the Board thus created shall immediately be filled by a qualified person other than the removed Director upon a vote of a majority of the Members present and voting at such meeting. A vacancy in any office thus created shall be filled by the Board of Directors from among their number so constituted after the vacancy in the Board has been filled.

Section 3. The President of the Board or his designee shall preside at any meeting of the Members convened to consider removal of an Officer or Director as provided under Section 2, unless the President is the subject of charges, in which event the Vice-President shall preside. In the event both the President and the Vice-President are the subject of charges, those Directors who are not the subject of any charges shall appoint one of their number to preside over the meeting. Any meeting convened to consider the removal of an Officer or Director shall be conducted in accord with the procedures prescribed by the Credentials Committee established under the provisions of Article XI. The fact that President, Vice-President, or any other Officer or Director has been made the subject of charges does not otherwise prevent such Officer from continuing to act in his capacity as an Officer or Director of the Corporation. Any Director that has been removed under the provisions of this Article shall not be precluded from subsequent election to a position on the Board of Directors.

Section 4. 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.

ARTICLE V

Section 1. Regular meetings of the Board of Directors shall be held at such time and place as the Board may determine at the next previous regular meeting. No further notice to the Directors of such regular meetings shall be required, and each Director shall be responsible for attendance at said regular meetings without further notice.

Section 2. Any Director failing to attend two (2) consecutive regular monthly meetings shall be given written notice by the balance of the Board of Directors that failure by said Director to attend a third consecutive monthly meeting, without justifiable cause acceptable to the balance of the Board of Directors, shall give rise to removal of said Director from the Board. A successor shall be elected by a majority vote of the Directors remaining to serve until the next regular or special Membership meeting, at which time the general Membership shall elect a successor for the balance of the term. If the removal of a Director pursuant to this Section 2 occurs at an annual Membership meeting, then the successor shall be elected by a majority vote of the Membership in attendance at the meeting.

Section 3. The Board of Directors shall provide access for the public, new service applicants, or 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.

ARTICLE VI

The Corporation shall conduct its business on a non-profit basis, and no dividends shall ever be paid upon the Memberships of such Corporation. All profits arising from the operation of such business shall be annually paid out to the persons who have, during the past year, transacted business with the Corporation, in direct proportion to the amount of business transacted, provided that no such dividends shall ever be paid while any indebtedness of the Corporation remains unpaid.

ARTICLE VII

The Directors of the Corporation shall establish and maintain, in a bank within the State of Texas, insured with the Federal Deposit Insurance Corporation, reserve funds for emergency use. Withdrawals from this fund shall be made only for emergency repairs, obsolescence of equipment, system improvements, and for making up any deficiencies in revenue for loan payments. This fund should be maintained at, or above \$50,000. The Directors shall invest all surplus funds in interest bearing accounts in a bank insured with FDIC. Any income from these accounts will be considered as revenues of the system.

ARTICLE VIII

Section 1. 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, within the service area of the Corporation as defined by the PUC shall have the right to become a Member of the Corporation upon payment of the Membership fee hereinafter provided and upon compliance with the reasonable requirements of the Corporation governing the purchase of water, charges for connection and operation of and service of the system. Membership shall not be denied because of the applicant's race, color, creed, or national origin. It is the intent of the Corporation to provide service on a nondiscriminatory basis to all persons desiring service to the extent that the capabilities of the system will reasonably permit.

Section 2. The Membership fee shall be three hundred dollars (\$300) which shall entitle the Member to one connection to the water main of the Corporation. A person may own more than one membership but each Member shall be entitled to only one vote regardless of the number of Memberships owned. Membership certificates shall be in such form as shall be determined by the Board of Directors.

Section 3. The Membership fee may be revised by the Board of Directors as the Board may determine to be appropriate. In determining the amount of the Membership fee, however, the Board shall insure that the fee is sufficient to establish the potential Member as being legitimately interested in securing water service from the Corporation for such potential Members' own needs. The Membership fee may reflect capital contributions from new members necessary to continue reasonable service to all Members. The Board shall determine and administer such fee in a manner or in an amount which does not unreasonable deny service to financially deprived potential Members.

ARTICLE IX

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

ARTICLE X

In order to insure that business done by the Corporation shall continue within the capacity of its facilities and to prevent undue financial burden on the Members of the Corporation, Membership in the Corporation shall be transferred from the original Members, their transferees, pledges, administrators or executors, or purchasers, or other persons, only after approval by the Directors of the person proposing to buy said Membership. Membership in the Corporation shall be deemed personal estate, and shall be transferable only upon the surrender of Membership by the record owner to the transferee, and after all indebtedness due the Corporation has been paid by the transferee Member. Memberships are non-refundable but transferable under the above conditions. No profit or gain may accrue from the sale or transfer of a Membership.

ARTICLE XI

Section 1. There shall be a regular meeting of the Members annually, on or before April 1st to transact all business that may be properly brought before it. The Secretary-Treasurer shall give at least fifteen (15) days written notice of such annual meeting to the Membership indicating the time, place and purpose of such meeting, and shall address and mail the notice to each Member at the address last known to the Corporation. Voting by proxy shall be permitted. The presence at a meeting of Members entitled to cast in their own right or by proxy ten (10) percent of the total number of votes shall constitute a quorum for the transaction of business.

Section 2. The Board of Directors shall establish a standing Credential Committee of three (3) Members, of which the Secretary-Treasurer shall be the chairperson. This committee shall adopt proper procedures for conducting an annual or special Membership meeting, adopt a specific proxy form to be used in conducting an annual or special Membership meeting; adopt procedures for proper notification of the Membership of such meetings and delivery of the Corporation's proxy forms to the Membership; determine, qualify, and register the eligible votes for such meetings; validate proxies, determine presence of quorum for conducting the meeting, design ballots, canvass all votes, and institute proper recording of the results of such elections.

ARTICLE XII

Special meetings of the Directors may be held upon reasonable notice either written or oral to each Director, either written or oral. Prior to any special meeting of the Members, the President shall request in writing that the Secretary-Treasurer give at least ten (10) days prior notice to the Members. Such notice shall indicate the time, place, and purpose of the meeting, and shall be addressed and mailed to such Members at their address last known to the Corporation.

ARTICLE XIII

The business of the Corporation shall be handled under the direction of the Board of directors by a manager to be elected by majority vote of the Board, and he shall serve with or without compensation. The manager, with the approval of the Board of Directors, may employ, with or without compensation, such supervisory, clerical or other employees as he may require to effectively operate the business of the Corporation.

ARTICLE XIV

All Members will be accepted, billed, disconnected, or reconnected in accordance with the written policies of the Corporation. In the event a Member should surrender his Membership to the Manager or the Secretary-Treasurer of the Corporation, his water service shall be discontinued and his obligation to pay for water service shall terminate except as for the minimum charge for the current month or the charge for water used during the current month, whichever is greater, and except as for any prior unpaid amounts due the Corporation. In the event Membership is cancelled or a Member surrenders his Membership, the former Member's rights and interest in the assets of the Corporation at the time of the cancellation or withdrawal are forfeited.

ARTICLE XV

Upon dissolution of the Corporation, all assets of the Corporation remaining after payment of the indebtedness of the Corporation shall be distributed among the current Members in direct proportion to the amount of their patronage with the Corporation insofar as practicable. Any indebtedness due the Corporation by a Member for water service or otherwise shall be deducted from such Member's share prior to final distribution. By application for and acceptance of Membership in the Corporation, each Member agrees that, upon the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation transferred to that Member shall be in turn immediately be transferred by the individual Member to a charitable organization in the State of Texas, selected by a majority of the Members voting, which is organized to acquire, store, transport, sell, or distribute water for public use and further is qualified for an exemption authorized by Chapter 11 of the Property Tax Code of the State of Texas, to the state, or to an educational, religious, charitable, or other similar organization that is qualified as a charitable organization under Section 501 (c)(3) Internal Revenue Code of 1954, as amended.

ARTICLE XVI

The fiscal year of the Corporation shall be January 1 to December 31.

ARTICLE XVII

For so long as the Corporation is indebted for a loan or loans made to it by any lending institution, the Corporation shall insure with a reputable insurance company such of its properties and in such amounts as is required to afford reasonable coverage.

ARTICLE XVIII.

Section 1. If at the end of the fiscal year, or in the event of emergency repairs, the Board of Directors determines the total amount derived from the collection of water charges to be insufficient for the payment of all costs incidental to the operation of the Corporation's system during the year in which such charges are collected, the Board shall levy an assessment against each Member of the Corporation as the Board may determine or as may be required, so that the sum of such assessments and the amount collected from water and other charges is sufficient to fully pay all costs of operation, maintenance, replacement and repayment on indebtedness for the year's operations, but this provision shall not operate for the benefit of any third party creditor without a favorable vote of the majority of the Members.

Section 2. In the event a Member should surrender his Membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, the obligation to pay such assessments shall be limited to assessments made and levied prior to the date of surrender of the Membership certificate, provided, however, that this paragraph and the second sentence of Article XIV shall not apply to relieve a Member of his obligation under special agreements covering Multiple-Membership certificates held by one Member which may have been required or approved by the lending institution.

Section 3. Rules and regulations concerning the routine operation of the Corporation as set forth by the Board of Directors will be duly presented at regular scheduled meeting of the Directors. Any such rules and regulations must be approved by a majority vote of the Board of Directors and placed in writing in Section B of the By-laws of the Corporation entitled; SERVICE RULES AND REGULATIONS.

Section 4. Recent changes in State law allow corporations to file for exemption from ad valorem taxes. The Corporation hereby confirms the non-profit status of the Corporation.

ARTICLE XIX

The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its Members, Board of Directors, and committees, and shall keep a record of the name and addresses of its Members entitled to vote at its registered office or principle office in Texas.

Annually, the Board of Directors shall prepare or cause to be prepared a report of the financial activity of the Corporation for the preceding year including a statement of support, revenue, and expenses and charges in fund balances, a statement of functional expenses, and balance sheets for all funds or such financial reports as required by lending institutions. Such report shall be approved by the Board of Directors.

With prior written request, corporate records, books, and annual reports, subject to exceptions provided by law, shall be available for public inspection and copying by the public or their duly authorized representatives during normal business hours subject to a reasonable charge for the preparation of copies.

ARTICLE XX

These By-Laws may be altered, amended or repealed by a vote of a majority of the Members present at any regular meeting of the Corporation, or at any special meeting of the Corporation called for that purpose, except that the Members shall not have the power to change the purpose of the Corporation so as to decrease its rights and powers under the laws of the State, or to waive any requirements of bond or other provisions for the safety and security of the property and funds of the Corporation or its Members, or to deprive any Member of rights and privileges then existing, or so to amend the By-Laws as to effect a fundamental change in the policies of the Corporation. Notice of any amendment to be made at a special meeting of the Members must be given at least ten (10) days before such meeting and must set forth the amendments to be considered. For so long as the Corporation is indebted to any lending institution, these By-Laws shall not be altered, amended, or repealed without the knowledge of the lending institution.

ARTICLE XXI

The seal of the Corporation shall consist of a circle within which shall be inscribed "MELROSE WATER SUPPLY CORPORATION".

ARTICLE XXII

The Corporation pledges its assets for use in performing the organization's charitable functions.

ARTICLE XXIII

The above By-Laws and attached regulations were unanimously adopted by the Membership of the MELROSE WATER SUPPLY CORPORATION, at a meeting in the Melrose Community Center on the 19th day of February, A.D. 1990

Secretary-Treasurer

MELROSE WATER SUPPLY CORPORATION

SECTION B BYLAWS

SERVICE RULES AND REGULATIONS

A. Membership In The Corporation

1. Refer to Article VIII. of the Bylaws.
2. Potential customers must pay a \$100. membership and all other costs incurred by the corporation for installation of water service at a location agreeable to both parties.
3. A person or entity will be considered a Member of the Corporation in good standing upon the payment of all installation charges and current water charges.
4. To maintain a membership in force, regular monthly bills must be paid. Within a period of one (1) year from the date a meter is pulled or a membership is voided membership may be reinstated by the payment of all past due bills including penalties and reconnect charges.
5. Each membership will entitle the owner to one connection to the service lines of the Corporation. A connection is defined as service to one farm, business, or dwelling. Multiple connections on the same meter are not allowed.

B. Service Billing And Past Dues

1. The Board of Directors have the authority to regulate water rates, all connection fees, and all other fees that may be assessed members and potential members of the Corporation. Such fees and assessments will be based on realistic monetary needs of the Corporation for proper operation and maintenance of the system.
2. Current Residential Rates:

0 to 2000 Gallons	\$10.00 per month
2000 Gallons Up	1.25 per 1000 gallons
3. Current Commercial Farm Rates:

0 to 2000 Gallons	\$10.00 per month
2000 Gallons Up	1.25 per 1000 gallons
4. Past Due Charges:
 - a. Ten percent (10%) penalty on all past due balances.
 - b. \$35.00 reconnect charge on all locked meters.
 - c. \$10.00 service charge on all on site collections.

C. Other Rules And Regulations

1. All meters will be read on or before the 27th of each month.
2. Bills for the previous month will be mailed on or near the 1st of each month.
3. Bills not paid by 3:00PM on the 15th of each month will be considered delinquent.

D. Meter Tests And Meter Or Bill Adjustments

1. It is the policy of the Board of Directors of the Corporation to make no adjustments of high water bills due to customer leaks or errors. Each case will be handled separately, however, and judged on the merits of each individual situation.
2. The Corporation shall, upon the request of a customer, and if he so desires, in his presence, make without charge a test of the accuracy of the customer's meter. The test shall be made during the Corporation's normal working hours. If the meter is found to be accurate, any other tests within four years will be made at the customers expense.
3. If any meter is found to be outside the accuracy standards established by the AWWA, proper correction shall be made of previous readings for the past six (6) months.
4. 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 months based on amounts used under similar conditions.

E. Reconnects

1. To reinstate a meter after the one year grace period, a \$100.00 membership and a \$35.00 reconnect will be required.
2. Meters taken out for cause; tampering, delinquency, or other reasons may be assessed additional charges.

F. Tampering Or Theft Of Service

1. Any theft of service may be prosecuted under existing laws of the State of Texas. In all cases an estimate of the value of the actual theft, penalties, and reconnect charges will be assessed.

2. In the event of actual damage to facilities by tampering or carelessness, charges will be assessed based on the cost of repairs, and the loss of service.

G. Loss Of Service

1. Loss of service will occur from time to time. By proper maintenance and prompt repairs, loss of service will be kept to a minimum. Under no circumstances will the Melrose Water Supply Corporation be responsible for monetary loss due to loss of service.
2. Any loss of property or livestock due to service loss or service interruption will be deemed the responsibility of the individual suffering such loss.

CALCULATION
OF THE AVERAGE NET EQUITY PURCHASE FEE
MELROSE WATER SUPPLY CORPORATION

Meaningful determination of the A.N.E.P. Fee is achieved only when the following conditions are met in calculation of the fee:

1. An accurate accounting of the fixed and cash assets of the utility should be maintained, preferable by a Certified Public Accountant;
2. All funds obtained as an "impact fee" or other similar funds which are to be used for future capital expenditures should be maintained in a separate fund and ear-marked for this purpose. This amount should not include the Membership Reserve or debt reserves;
3. A realistic depreciation schedule should be maintained for each asset item based on its anticipated useful life rather than on the life of the debt incurred to pay for the asset; and
4. An actual count should be retained of existing and terminated accounts for which capital contributions have been received, but not to include Membership transfers. This count shall be the number of Contributing Members on which the average is taken in calculation of the Net Equity Purchase Fee.

Capital Contributed To-date	
By Members	\$267,270.36
Plus Fixed Assets Of The Corporation	989,483.77
Total Contribution By Existing Members	1,256,754.13
Less Accumulated Depreciation.	398,010.46
Less Grant Allocated	160,000.00
Less Outstanding Long Term Debt Excluding	
Current Maturities	388,067.87
Equals Corporation Equity	310,675.80
Less Developer's Capital Contribution.	-0-
Equals Net Equity	310,675.80
Average Net Equity Per 787	
Contributing Members	\$ 394.76
Average Net Equity Purchase Fee =	\$250.89

The above figures apply to 1989 and will be updated as of each December 31 to apply to the following year.

OPEN MEETINGS AND OPEN RECORDS

All non-profit 1434a water supply and sewer service corporations that receive financial assistance through the state of Texas (i.e. through the Texas Water Development Board) are required to comply with the provisions of both the Texas Open Meetings Act and the Texas Open Records Act, and adherence to these statutes is a condition for the receipt of any financial assistance programs administered by the state.

If a WSC does not receive any state financial assistance, then it is not required by law to have open meetings. While posting prior notice of all board meetings and an agenda is not required, it is generally considered a good business practice to inform the membership of when and where the meetings will be held. The membership should also be given an opportunity to address the board regarding any issue by requesting to be placed on the agenda.

The Texas Non-Profit Corporation Act provides for access by members and the general public to certain records of any non-profit corporation. Specifically, the law states that all books and records of a corporation (i.e. tariff, financial records, minutes of membership, board and committee meetings, and a list of names and address of all voting members) are to be available for inspection by any member, or his agent or attorney, "for any proper purpose at any reasonable time." In addition, the law says that all records, books, and annual reports of the financial activity of the corporation must be made available to the general public for inspection and copying during normal business hours for at least three years after the closing of each fiscal year. The corporation may charge a reasonable fee for providing the copies.

The application of these laws to non-profit 1434a water supply and sewer service corporations was determined in Attorney General Opinion No. JM-596 (Dec. 29, 1986).

DATE APPROVED: January 09, 1990

MELROSE WSC

Open Meetings, Open Records

As some of TRWA's members are aware, non-profit water supply corporations organized under the provisions of Article 1434a, Texas Revised Civil Statutes (Vernon Supp. 1988), appear to be required to make available for public inspection and copying during normal business hours the corporation's various records, books and annual reports.

This question was considered in Attorney General Opinion No. JM-596 (Dec. 29, 1986). The Attorney General's Opinion determined that those corporations that receive state of Texas financial assistance from the Texas Water Development Board are required to comply with the provisions of both the Texas Open Records Act and the Texas Open Meetings Act, Article 6252-17a, Texas Revised Civil Statutes (Vernon Supp. 1988). These statutes apply as a condition for receipt of any monies awarded by the TWDB through financial assistance programs administered under Chapters 15, 16 and 17 of the Texas Water Code (Vernon Supp. 1988).

However, all non-profit water supply corporations organized under Article 1434a must comply with Articles 1396-2.23 and 1396-2.23A of the Texas Non-Profit Corporation Act (Vernon 1980). While the analysis supporting this conclusion under Attorney General Opinion JM-596 is somewhat convoluted, the straightforward reason is that Section 2(d) of Article 1434a makes the provisions of the Texas Non-Profit Corporation Act applicable "to corporations created under this Article to the extent that it does not conflict with this Act." There do not appear to be any conflicts between Secs. 2.23 and 2.23A of the Non-Profit Corporation Act and the provisions of Article 1434a.

Please note that Article 1396-2(b) applies to "(all) books and records of a corporation, but limits the requirement that these be made available for inspection to "any member or his agent for attorney, for any proper purpose. . ." Article 1396-2.23A, by contrast, applies specifically to "financial records. . . with respect to all financial transactions of the corporations, including all income and expenditures," but requires that these "records, books and annual reports of the financial activity of the corporation. . . be available to the public for inspection and copying. . .

"My recommendation is to use caution in any request for potentially sensitive information."

during normal business hours and authorizes a "charge for the reasonable expense of preparing a copy. . ." In other words, disclosure of all corporate records may be limited to members of the corporation and the members' authorized representatives, *unless* the records pertain to the financial activities of the corporation, in which case these records must be made available to the public generally.

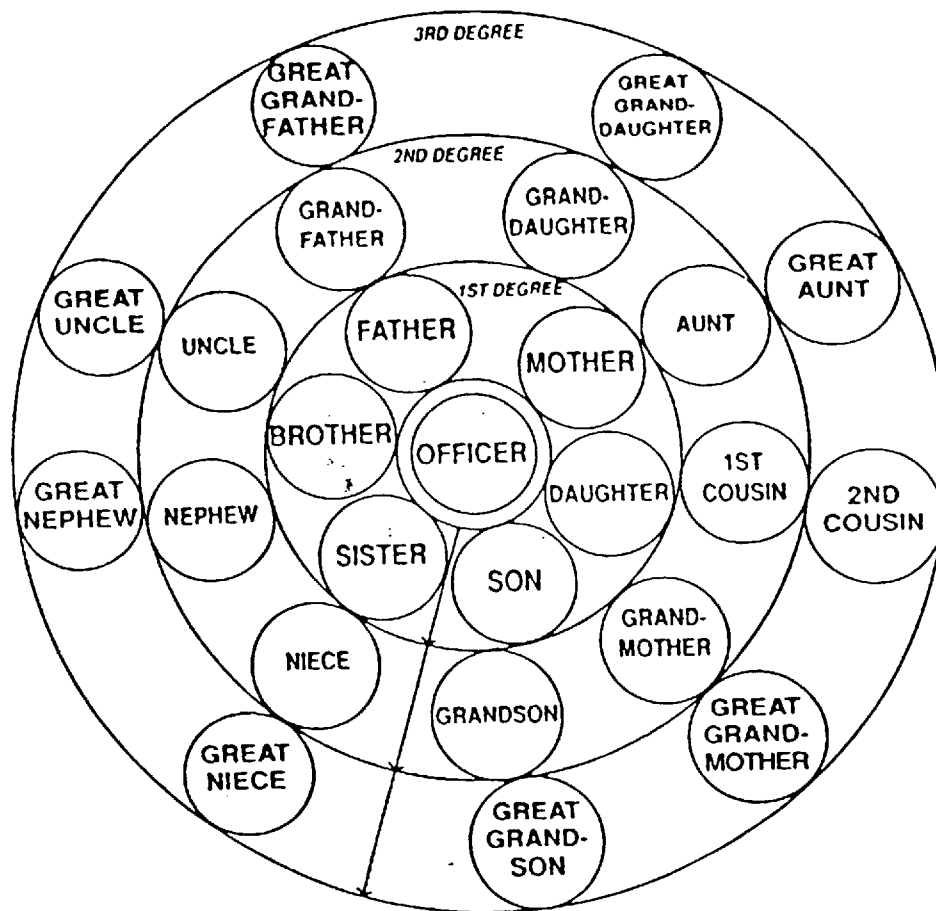
The differences between these two sections of the Non-Profit Corporation Act as to the extent of public disclosure is not discussed in Attorney General Opinion JM-596. Close scrutiny of these differences probably raises more ques-

tions than we want, or need, to be concerned with. For example, since the Open Records Act would *not* apply to an Article 1434a corporation that does not receive state financial assistance, presumably the exceptions to public disclosure under this Act for "Information. . . pertaining to appraisals or purchase price of real or personal property for public purposes prior to the formal award of contracts therefor," and for "information relating to litigation of a criminal or civil nature and settlement negotiations," Article 6252-17a, Secs. 3(a)(5), (3), would also not apply (at least as a matter of Open Records Act requirements; these exceptions may — or may not — apply under general principles of Texas civil law). The provisions of Article 1396-2.23 apply *without* any limitations on the face of the statute.

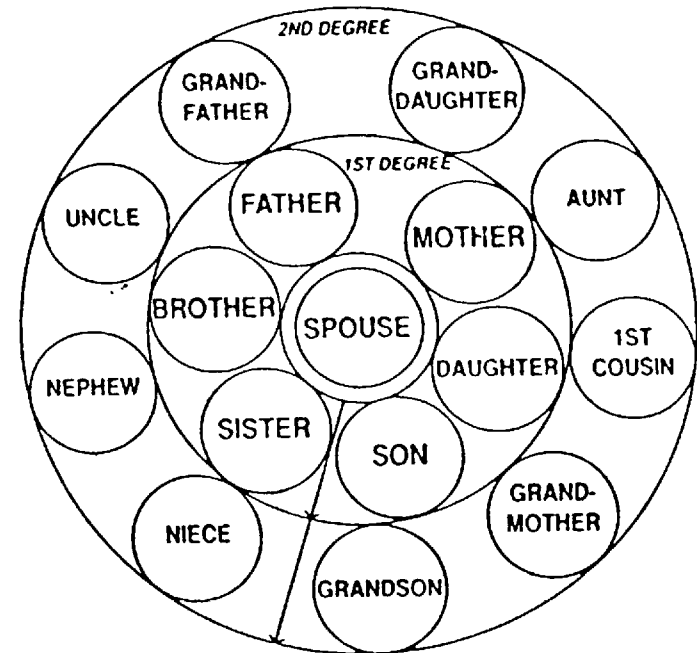
Having raised some of the questions, my straightforward recommendation is to use caution in approaching any request for potentially sensitive information. The Texas Non-Profit Corporation Act statutes apparently restrict disclosure to members and their agents and attorneys, with the *sole* exception of financial documents, which must be available for inspection by the public generally. Notwithstanding these statutes, however, there may be other statutory restrictions on the disclosure of information. And in the case of personnel files, there are compelling reasons arising from potential liability in litigation that require the utmost care in limiting the disclosure of information.

Ken Petersen is an attorney with the Austin law firm of Small, Craig and Werkenhain. He represents TRWA and several non-profit water supply corporations.

TEXAS NEPOTISM, 1989



CONSANGUINITY KINSHIP CHART
(Blood)



AFFINITY KINSHIP CHART
(Marriage)

BASIC DAILY DOMESTIC WATER REQUIREMENTS

<u>Purpose</u>	<u>Gallons</u>
Per member of family for all purposes	50
Per milk cow (producing)	35
Per head of dry stock (horses - cows - beef)	12
Per hog	4
Per sheep	2
Per 100 chickens	4
Per 100 Turkeys	7

** 20 gallons for drinking - 15 gallons for flushing and cleaning barns and washing utensils

TYPICAL WATER RATE SCHEDULE - MONTHLY

First 2,000 gallons	Flat minimum rate \$
Next 1,000 gallons	\$1.00 per 1,000 gallons
Next 3,000 gallons	\$0.90 per 1,000 gallons
Next 4,000 gallons	\$0.80 per 1,000 gallons
Next 4,000 gallons	\$0.70 per 1,000 gallons
All in excess of 14,000 gallons	\$0.50 per 1,000 gallons

SERVICE REJECTION STATEMENT

I understand that the _____
proposes to build a water system to serve my area. I have been given an opportunity to sign the Water Users
Agreement so that I might obtain service. I do not wish to be served because _____

Date: _____

Signature: _____

Mailing Address: _____

Location: _____

The information inserted above is correct to the best of my knowledge. It was not possible to obtain the signature of this
potential user because: _____

Date: _____

* Signature: _____

* To be completed and signed by a representative of the association when applicable.

ASSOCIATION LOAN
MEMBERSHIP SURVEY DATA SHEET
FOR
WATER SERVICE

Name(Print) _____ Spouse's Name(If Married) _____

Address(Print) _____ Telephone No. _____

1. CHECK ONE: Married ☐ Single ☐ Widow(er) ☐ Membership Fee Received ☐

2. Are you the resident property owner where your water service connection will be located?
Yes ☐ No ☐ IF NO EXPLAIN: _____

(a) The owner is: _____ (b) Other explanation: _____
Name: _____
Address: _____

So any necessary Easements may be described, give the following information below:
Name of previous owner _____ The property is located _____ Direction
Date of Deed _____ From (Town) _____ On Road
Deed recorded Vol. _____
Page _____ of Deed Records. It joins the property of: _____

3. Present source of water for:
* Household use _____ * Livestock _____

4. (One connection is required for each household)
How many connections will you need: _____ For Water ☐

5. Each connection will be used to serve the following:

	(To Be Completed By Engineer)		Monthly Use Adjusted
	Number	Daily Use -Water Maximum Adjusted	
People (Family - Hired Labor)			
Dairy (Average number milked).			
Other Cattle (incl. dry dairy cows).			
Horses			
Hogs			
Sheep			
Poultry			

TOTALS XXXX

Water for livestock will be needed: Continuously ☐ Seasonally ☐ Infrequently ☐

I want to participate in the development of a rural domestic water system for my neighborhood area and will become a member of the association provided a satisfactory system can be developed and constructed at a reasonable cost. I agree to grant an Easement of right-of-way on my property to the Association for the purpose of installing, maintaining, and operating such pipelines, meters, valves, and any other equipment which may be deemed necessary for the Association on such form as is required by the Association.

Prepared by _____

Date _____

Signature _____

*Well - Cistern - Pond - Stream - Spring - Haul Water

CORPORATION USE ONLY

Date Approved._____
 Service Classification._____
 Cost._____
 Work Order No.._____
 Eng. Update._____

MELROSE WATER SUPPLY CORPORATION

SERVICE APPLICATION AND AGREEMENT

Please Print: DATE._____

APPLICANT'S NAME._____

SPOUSE'S NAME._____

CURRENT BILLING ADDRESS: FUTURE BILLING ADDRESS:

PHONE NUMBER - Home (____)_____. Work (____)_____.
 PROOF OF OWNERSHIP PROVIDED BY _____
 DRIVER'S LICENSE # OF APPLICANT._____

LEGAL DESCRIPTION OF PROPERTY (Include name of road, sub-
 division with lot and block number)._____

PREVIOUS OWNER'S NAME AND ADDRESS(if transferring Member-
 ship) _____

ACREAGE._____ HOUSEHOLD SIZE._____

NUMBER IN FAMILY._____. LIVESTOCK & NO.._____

SPECIAL SERVICE NEEDS OF APPLICANT:_____

NOTE: FORM MUST BE COMPLETED BY APPLICANT ONLY.
 A MAP OF SERVICE LOCATION REQUEST MUST BE ATTACHED.

SERVICE APPLICATION AND AGREEMENT (CONT'D.)

AGREEMENT made this ____ day of _____,
19____, between MELROSE WATER SUPPLY CORPORATION, a corpo-
ration organized under the laws of the State of Texas
(hereinafter called the Corporation) and _____,
(hereinafter called the Applicant and/or Member)

Witnesseth:

The Corporation shall sell and deliver water service to the Applicant and Applicant shall purchase, receive, and/or reserve water service from the Corporation in accordance with the Bylaws and Tariff of the Corporation as amended from time to time by the Board of Directors of the Corporation. Upon compliance with said policies, including payment of a Membership Fee, the Applicant qualifies for Membership as a new Applicant or continued Membership as a Transferee and thereby may hereinafter be called a Member.

The Member shall pay the Corporation for service hereunder as determined by the Corporation's Tariff and upon the terms and conditions set forth therein, a copy of which has been provided as an information packet, for which Member acknowledges receipt hereof by execution of this Agreement.

The Board of Directors shall have the authority to cancel the Membership of any Member not complying with any policy or not paying any utility fees or charges as required by the Corporation's published rates, fees, and conditions of service.

If this agreement is completed for the purpose of assigning water service as part of a rural domestic water system loan project contemplated with the Farmers Home Administration, an Applicant shall pay an Indication of Interest Fee in lieu of a Membership Fee for the purposes of determining:

a. the number of taps to be considered in the design and;

SERVICE APPLICATION AND AGREEMENT (CONT'D)

b. the number of potential ratepayers considered in determining the financial feasibility of constructing either:

- (1) a new water system or
- (2) expanding the facilities of an existing water system,

the Applicant thereby agrees to obtain, utilize, and/or reserve service as soon as it is available. Applicant, upon qualification for service under the terms of the Corporation's policies, shall further qualify as a Member and the Indication of Interest Fee shall then be converted by the Corporation to a Membership Fee. Applicant further agrees to pay, upon becoming a Member, the monthly water charges for such service as prescribed in the Corporation's published rates, fees, and conditions of service. Any breach of this agreement shall give cause for the Corporation to liquidate, as damages, the fees previously paid as and indication of interest. In addition to any Indication of Interest Fees forfeited, the Corporation may assess a lump sum of \$300.00 as liquidated damages to defray any losses incurred by the Corporation. If delivery of service to said location is deemed infeasible by the Corporation as a part of this project, The Applicant may re-apply for service at a later date under the terms and conditions of the Corporation's policies. For the purposes of this agreement, an Indication of Interest Fee shall be of an amount equal to the Corporation's Membership Fee.

All water shall be metered by meters to be furnished and installed by the Corporation. The meter and/or connection is for the sole use of the Member or customer and is to serve water to only one (1) dwelling and/or only one (1) agriculture operation. Extension of pipe or pipes to transfer water from one property to another, to share, resell, or sub-meter water to any other person, dwellings, business, and/or property, etc., is prohibited.

In the event the total water supply is insufficient to meet all of the needs of the Members, or in the event there is a shortage of water, the Corporation may initiate the Emergency Rationing Program as specified in the Corporation's Tariff. By execution by the Applicant of this Agreement, Applicant hereby shall comply with the terms of said Program.

SERVICE APPLICATION AND AGREEMENT (CONT'D.)

The Member shall install at his own expense a service line from the water meter to the point of use, including any customer service isolation valves and other equipment as may be specified by the Corporation. The use of pipes and pipe fittings that contain more than 8.0% lead or solders 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.

By execution hereof, the Member shall hold the Corporation harmless from any and all claims for damages caused by service interruptions due to waterline breaks by utility or like contractors, tampering by other Member/Users of the Corporation, normal failures of the system, or other events beyond the Corporation's control.

The Member shall grant to the Corporation, now or in the future, any easements of right-of-way for the purpose of installing, maintaining, and operating such pipelines, meter, valves, and any other such equipment which may be deemed necessary by the Corporation to extend or improve service for existing or future Members, on such forms as required by the Corporation.

The Corporation shall have the right to locate a water service meter and the pipe necessary to connect the meter on the Member's property at a point to be chosen by the Corporation, and shall have access to its property and equipment located upon Member's premises at all reasonable times for any purpose connected with or in the furtherance of its business operations, and upon discontinuance of service the Corporation shall have the right to remove any of its equipment from the Member's property.

The Corporation's authorized employees shall have access to the Member's property or premises at all reasonable times for the purpose of inspecting for possible violations of the Corporation's policies or Texas Department of Health Rules and Regulations. The Corporation strictly prohibits the connection of service pipelines from its water service meter to any private well or other unknown water supply.

SERVICE APPLICATION AND AGREEMENT (CONT'D.)

By execution of this Service Application and Agreement, Applicant agrees that non-compliance with the terms of this Agreement by said Applicant shall constitute denial or discontinuance of service until such time as the violation is corrected to the satisfaction of the Corporation.

Any misrepresentation of the facts by the Applicant on any of the five pages of this form shall result in discontinuance of service pursuant to the terms and conditions of the Corporation's Tariff.

Applicant/Member

Witnesseth

Approved and Accepted For
MELROSE WATER SUPPLY CORP.

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

RIGHT OF WAY EASEMENT

KNOW ALL MEN BY THESE PRESENTS, that _____,
(hereinafter called "Grantors"), in consideration of one
dollar (\$1.00) and other good and valuable consideration
paid by Melrose Water Supply Corporation, (hereinafter
called "Grantee"), the receipt and sufficiency of which is
hereby acknowledged, does hereby grant, bargain, sell,
transfer, and convey to said Grantee, its successors, and
assigns, a perpetual easement with the right to erect,
construct, install and lay and thereafter use, operate,
inspect, repair, maintain, replace, and remove water dis-
tribution lines and appurtenances over and across _____
acres of land, more particularly described in an instru-
ment recorded in Vol _____, Page _____, Deed Records
of Nacogdoches County, Texas, together with the right of
ingress and egress over Grantors' adjacent lands for the
purpose for which the above mentioned rights are granted.
The easement hereby granted shall not exceed 15' in width,
and Grantee is hereby authorized to designate the course
of the easement herein conveyed except that when the pipe-
line (s) are installed, the easement herein granted shall
be limited to a strip of land 15' in width, the centerline
thereof being the pipeline as installed.

The consideration recited herein shall constitute pay-
ment in full for all damages sustained by Grantors by rea-
son of the installation of the structures referred to
herein and the Grantee will maintain such easement in a
state of good repair and efficiency so that no unreason-
able damages will result from its use to Grantor's pre-
mises. This Agreement together with other provisions of
this grant shall constitute a covenant running with the
land for the benefit of the Grantee, its successors, and
assigns. The Grantors covenant that they are the owners
of the above described lands and that said lands are free
and clear of all encumbrances and liens except the follow-
ing: _____

_____ (if none, so state) _____

The easement conveyed herein was obtained or improved through Federal financial assistance. This easement is subject to the provisions of Title VI of the Civil Rights Act of 1964 and the regulations issued pursuant thereto for so long as the easement continues to be used for the same or similar purpose for which financial assistance was extended or for so long as the Grantee owns it, whichever is longer.

IN WITNESS WHEREOF the said Grantors have executed this instrument this ____ day of _____, 19____.

ACKNOWLEDGEMENT

STATE OF TEXAS
COUNTY OF _____

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____ known to me to be the person(s) whose name(s) is (are) subscribed to the foregoing instrument, and acknowledged to me that he (she) (they) executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE THIS THE ____ day of _____, 19____.

Notary Public in and for

County, Texas

MELROSE WATER SUPPLY CORPORATION
RIGHT-OF-WAY EASEMENT DENIAL FORM AND AFFIDAVIT

PROPERTY OWNER'S NAME

LEGAL DESCRIPTION OF PROPERTY

Melrose Water Supply Corporation has attempted to acquire an easement for a community water distribution system across your property. It is now necessary to require an easement either be granted or refused by you within thirty (30) days after receipt of this notice. Attached is Melrose Water Supply Corporation's standard easement form as furnished to us by the Farmers Home Administration. If you are not in agreement to grant easement, sign the middle portion of this document and return it to us, at which time this document will be filed in our office. Failure to return this document or the attached easement will result in a copy of this document being completed and signed by us to keep on file for future reference purposes. Failure to grant easement does not relieve MWSC of the obligation to serve water to the aforementioned property in the future, but does make the then current property owner, at time of application for water service, responsible for the financial burden of moving the water line from public right-of-way to private right-of-way plus any other normal charges for service. For further clarification, contact our office. (Melrose WSC, Rt. 2 Box 3553, Nacogdoches, TX. 75961. Phone: (409) 560-2360. TX. 75944. Phone: (409)854-2142.)

I, _____, hereby refuse Melrose WSC easement for a community water distribution system on the aforementioned property.

Signature of Property Owner

AFFIDAVIT

Being duly sworn upon my oath, I hereby certify that this is a true copy of the document sent by certified mail to _____ on _____.

and a signed receipt verifying delivery and acceptance is on file in the office of Melrose WSC, Nacogdoches, Texas. I further certify a signed easement or signed refusal of easement was not received within thirty (30) days following receipt by property. I further state under oath that the engineer for the Corporation has furnished the property owner an estimate of cost for rerouting pipeline for which easement was denied to private property.

Official of MELROSE WSC

THE STATE OF TEXAS)
COUNTY OF NACOGDOCHES)(

THIS INSTRUMENT was acknowledged before me on
_____, 19____.by_____.

Notary Public,
Nacogdoches County, Texas
My Commission Expires:_____.

MEMBERSHIP TRANSFER AUTHORIZATION

Transferor hereby surrenders Membership in the Melrose WSC by execution of the attached Stock Certificate. Water service rights granted by Membership and other qualification hereby cease contingent upon further qualification of the Transferee in accordance with the policies of the Melrose WSC.

By execution hereof, the undersigned hereby acknowledges that the Membership Transfer complies with the terms of one of the following items (1) through (4), thereby qualifying for transfer of Membership in accordance with the laws of the State of Texas.

(1) The Membership is transferred by will to a person related to the Transferor within the second degree by consanguinity or

(2) The Membership is transferred without compensation to a person related to the Transferor within the second degree by consanguinity; or

(3) The Membership is transferred without compensation or by sale to the Corporation; or

(4) The Membership is transferred as a part of the conveyance of real estate from which the Membership arose.

Transferee understands that qualification for Membership is not binding on the Corporation and does not qualify Member for continued water service unless the following terms and conditions are met:

(1) This Membership Transfer Authorization Form is completed by the Transferor and Transferee;

(2) The Transferee has completed the required Application Packet;

(3) All indebtedness due the Corporation has been paid;

(4) The Membership Certificate has been surrendered, properly endorsed, by the record Transferor;

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

(6) Any other terms and conditions of the Corporation's Tariff are properly met.

Signature of Transferor

Signature of Transferee

MEMBERSHIP TRANSFER AUTHORIZATION (CONT'D.)

Transferor's Name Transferee's Name

Forwarding Address Current Address

City, State, Zip Code City, State, Zip Code

Phone Phone

Account No. _____. Final Reading. . Reading Date. .

Location of Meter. _____.

NOTE: A fee of \$10.00 is charged to the Transferor on all transfers.

Transferor may be due a refund of the Membership Fee, and Transferee understands that he/she must place on deposit a refundable Membership Fee with the Corporation.

ACKNOWLEDGMENT

THE STATE OF TEXAS)(
COUNTY OF NACOGDOCHES)(

IN WITNESS WHEREOF the said Transferor and Transferee have executed this instrument this ____ day of _____, 19____.

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____.

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE THIS ____ day of _____, 19____.

Notary Public in and for
Nacogdoches County, Texas
Commission expires. _____.

ALTERNATE BILLING AGREEMENT

FOR RENTAL ACCOUNTS

NAME: METER #:

ADDRESS: ACCT. #:

I hereby authorize Melrose Water Supply Corporation to send all billings on my account to the person(s) and address below until further written notice:

.
.
.

I understand that under this agreement that I will be given notice by the Corporation of all delinquencies on this account prior to disconnection of service. A notification fee shall be charged to the account in accordance with the provisions of the Corporation's Tariff.

I also understand that I am responsible to see that this account balance is kept current, as is any other Member of the Corporation. Should this account remain delinquent, water service will be subject to termination under the policies of the Corporation, and shall not be reinstated until all debt on the account has been retired.

.
Signature

.
Date

MELROSE WSC MEMBERSHIP MORTGAGE AGREEMENT

This agreement hereby verifies that the Melrose WSC provides or is able to provide water utility service under the terms and conditions of its Tariff to the property so designated in this agreement.

The Melrose WSC does meet the service requirements of the Texas Department of Health and currently holds all authorization or certification required by the Texas Water Commission.

The Membership available/assigned to this property is transferable to all legally qualifying interests upon compliance with the terms and conditions of the Melrose WSC's Tariff, including but not limited to completion of all required forms and applications, payment of all fees, and payment of final account balances.

The Melrose WSC shall notify any Loan/Membership guarantor and/or mortgagee by certified mail at least sixty (60) days prior to Membership/service termination and guarantor/mortgagee hereby guarantees payment of any account balances required to prevent termination of Membership by the Melrose WSC.

A guarantor and/or mortgagee shall qualify as a bona fide lien-holder to the Membership by providing a Deed of Trust, to be hereto affixed, for the real property in question and designated below which clearly defines the guarantor and/or mortgagee as the lien-holder of the Membership and the real property for which Membership was issued. Melrose WSC shall notify the entity so designated in the Deed of Trust.

Legal Description of Property:

Mortgagee (Lien-holder)

Guarantor (If Applicable)

Melrose WSC Representative

Date

NOTE: Please attach Deed of Trust for permanent record.

FORM APPROVED: January 09, 1990

MELROSE WSC

MELROSE WATER SUPPLY CORPORATION

REQUEST FOR SERVICE DISCONTINUANCE

I, _____, hereby request that my water meter (SN # _____) for account number _____ located on _____, be disconnected from Melrose Water Supply Corporation service (and that my membership fee be refunded to me). I understand that if I should ever want my service reinstated I may have to reapply for service as a new member and I may have to pay all costs as indicated in a then current copy of the Melrose Water Supply Corporation Tariff. Future ability to provide service will be dependent upon system capacity, which I understand may be limited and may require capital improvements to deliver adequate service. I also understand that these improvements will be at my cost. I further represent to the Corporation that my spouse joins me in this request and I am authorized to execute this Request for Service Discontinuance on behalf of my spouse.

Signature

Spouse's Signature

Date of Signature

Date of Signature

NOTE: Charges for service will terminate when this signed statement is received by the Melrose WSC office. A \$20.00 fee will be assessed for the processing of this transaction and deducted from the membership fee in addition to final charges. This includes a fee of \$15.00 for meter removal or lock-out.

MELROSE WSC NOTICE TO OWNER

Your are hereby given notice that your renter/lessee is past due on your account with the Corporation. The renter/lessee has been sent a second and final notice, a copy of which is enclosed herein, and the utility service will be scheduled for disconnection unless the bill is paid by the final due date. If disconnection occurs, the Corporation's policies under the terms and conditions of its Tariff shall govern restoration of disconnected service. A fee of \$5.00 has been posted to the account for mailing of this notice. Any unpaid bills, service fees, or reconnect fees (service trip fees) are chargeable to the owner. If you have any questions concerning the status of this account, please do not hesitate to call.

MELROSE WSC MANAGEMENT

Amount Due Including Service Charges._____.

Final Due Date._____.

Account No._____.

Location of Meter._____.

MELROSE WSC NOTICE OF RETURNED CHECK

TO:

DATE:

CHECK NUMBER:

AMOUNT OF CHECK:

Your check has been returned to us by your bank for the following reasons:

You have ten (10) days from the date of this notice in which to redeem the returned check and pay an additional \$10.00 Returned Check Fee. Redemption of the returned check and payment of additional fees may be made by cash, money order, or certified check. If you have not redeemed the returned check and paid the additional service fees within ten (10) days, your utility service will be disconnected.

MELROSE WSC MANAGEMENT

FORM APPROVED: January 09, 1990

MELROSE WSC

MELROSE WSC TERMINATION NOTICE

TO:

ACCOUNT NUMBER:

DATE:

DATE OF SCHEDULED TERMINATION:

Your are hereby advised that the delinquent status of your account is jeopardizing your service with the Corporation. If payment is not received by our office by the 15th of _____, 19____, your utility service will be terminated. To regain service after termination, you must pay a fee of \$35.00 for locking and unlocking of meter, plus all past due amounts of this account, under the terms of the Corporation's Tariff. If you have no intentions of retaining our service, make sure the service line is capped. We will not cap your line for you, but will remove the meter regardless of the circumstances.

MELROSE WSC MANAGEMENT

FORM APPROVED: January 09, 1990

MELROSE WSC

MELROSE WSC
METER TEST AUTHORIZATION
AND TEST REPORT

NAME: _____
ADDRESS: _____
DATE OF REQUEST: _____ PHONE NO. (DAY) _____
ACCOUNT NO.: _____ METER SERIAL NO.: _____
REASONS FOR REQUEST: _____

Members requesting a meter test may be present during the test, but if not, Member shall accept test results shown by the Corporation. The test shall be conducted in accordance with the American Water Works Association standards and methods on a certified test bench. Member agrees to pay \$40.00 for the test if the results indicate an AWWA acceptable performance, plus any outstanding water utility service. In the event that the Member is required to pay for the test and for outstanding water utility service as set forth herein, said charges shall be applied to the next billing sent to the Member after the date of the test.

Signed by Member

TEST RESULTS

Low Flow (1/4 GPM)	_____ %	AWWA Standard	97.0 - 103.0 %
Intermediate (2 GPM)	_____ %	AWWA Standard	98.5 - 101.5 %
High Flow (10 GPM)	_____ %	AWWA Standard	98.5 - 101.5 %

Register test _____ minutes at _____ gallons per minute
recorded _____ per _____ gallons.
_____. Meter tests accurately; no adjustments due
_____. Meter tests high; adjustment due on water
charges by _____ %
_____. Meter tests low; no adjustment due

Test conducted by _____
Approved _____

MELROSE WATER SUPPLY CORPORATION

DEFERRED PAYMENT AGREEMENT

With the agreement of the Board of Directors, the undersigned Member agrees to payment of outstanding debt for water utility service as set forth below:

Member agrees to pay \$_____.per month, in addition to current monthly water utility service rates, fees, and charges, as set forth in the Corporation's Tariff, until the account is paid in full. Any fees normally assessed by the Corporation on any unpaid balance shall apply to the declining unpaid balance.

Failure to fulfill the terms of this Agreement shall institute the Corporation's disconnection procedures as set forth in the Corporation's Tariff unless other satisfactory arrangements are made by the Member and approved by the Corporation's authorized representative.

_____.
Member
_____.
Date
_____.
Authorized Representative

TRWA RECOMMENDED 5/8" X 3/4" METER EQUIVALENTS
 BASED ON AWWA SPECIFICATIONS AND DESIGN CRITERIA

METER SIZE	RECOMMENDED CONTINUOUS RATE OF FLOW	RESIDENTIAL METER EQUIVALENTS
5/8 X 3/4"	10.0 GPM	1.00
3/4"	15.0 GPM	1.50
1"	25.0 GPM	2.50
1 1/2"	50.0 GPM	5.00
2"	80.0 GPM	8.00
3" DISP.	90.0 GPM	9.00
3" CMPD	160.0 GPM	16.00
3" TURB.	175.0 GPM	17.50
4" CMPD	250.0 GPM	25.00
4" TURB.	300.0 GPM	30.00
6" CMPD	500.0 GPM	50.00
6" TURB.	625.0 GPM	62.50
8" CMPD	800.0 GPM	80.00
10" CMPD	1,150.0 GPM	115.00

NOTE: ALTHOUGH AWWA DOES NOT RECOMMEND A CONTINUOUS FLOW OF GREATER THAN 50 PER CENT FOR DISPLACEMENT AND MULTIJET METERS, METER EQUIVALENTS ARE CALCULATED ON A PROPORTIONAL BASIS AND REMAIN THE SAME REGARDLESS OF ALLOWABLE RATES.

MULTIPLIERS FOR METER SIZES

METER SIZE	MULTIPLIER (3/4 Base)	FLOW RATE* gpm
5/8	1.0000	10
5/8 x 3/4	1.0000	10
3/4	1.0000	15
1	1.6667	25
1 1/2	3.3333	50
2	5.3333	80
3	10.0000	150
4	16.6667	250
6	33.3333	500
8	53.3333	800
10	76.6667	1,150

* Flow rate is the Maximum Flow Rate for Continuous Duty in gpm as contained in AWWA Standards C700-77 and C702-86.

EXAMPLE OF COMPUTATION:

For a base monthly rate of \$14.00 for the first 2,000 gallons and a gallonage charge of \$2.00 per thousand gallons, the computation of monthly rates for larger meters is based upon a multiple of the 3/4" meter and a rate for zero gallons ($\$14.00 - 2 \times \$2 = \$10$).

METER SIZE	RATE FOR ZERO GALLONS	RATE FOR 2,000 GALLONS
3/4	\$ 10.00	\$ 14.00
1	16.60	20.60
1 1/2	33.30	37.30
2	53.30	57.30
3	100.00	104.00
4	166.60	170.60
6	333.30	337.30
8	533.30	537.30
10	766.60	770.60

TARIFF FILING REQUIREMENTS

Effective September 1, 1989, all non-profit water supply corporations are required to file their tariff with the Texas Water Commission for information purposes only. Tariffs should be mailed to:

Texas Water Commission

P.O. Box 13087

Capitol Station

Austin, Texas 78711-3087

Attention: Rate Section
Tariff Clerk

The deadline for filing tariffs is currently March 1, 1990. Utilities failing to comply with the Commission's rules may be subject to fines and penalties.