

GILLIAM, WHARRAM & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Directors
Bethesda Water Supply Corporation
Burleson, Texas

We have audited the accompanying financial statements of Bethesda Water Supply Corporation, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bethesda Water Supply Corporation as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of operating expenses on page 20 and 21 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gillian, Wharram & Co., P.C.

Gillian, Wharram & Co., P.C.

Cleburne, Texas

February 26, 2016

Financial Statements

BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and cash equivalents	\$ 6,356,565	\$ 5,573,716
Investment in certificates of deposit	325,353	325,126
Accounts receivable, net of allowance	412,580	373,882
Notes receivable	7,490	847
Inventory	191,464	183,828
Prepaid expenses	14,882	8,982
Total Current Assets	<u>7,308,334</u>	<u>6,466,381</u>
Property, Plant and Equipment:		
Property, plant and equipment, total	53,144,738	51,965,971
Less: Accumulated depreciation	<u>(27,677,638)</u>	<u>(26,154,567)</u>
Total Property, Plant and Equipment, net	<u>25,467,100</u>	<u>25,811,404</u>
Other Assets:		
Deferred debt issue costs, net of amortization	162,103	172,235
Deposits	<u>100</u>	<u>100</u>
Total Other Assets	<u>162,203</u>	<u>172,335</u>
Total Assets	<u><u>\$ 32,937,637</u></u>	<u><u>\$ 32,450,120</u></u>

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

BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2015 AND 2014

LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
Current Liabilities:		
Accounts payable	\$ 164,005	\$ 191,578
Other accrued expenses	127,761	91,324
Current portion of long-term debt	<u>300,000</u>	<u>285,000</u>
Total Current Liabilities	<u>591,766</u>	<u>567,902</u>
Long-Term Debt:		
Note payable	6,745,000	7,030,000
Less: Current portion of long-term debt	<u>(300,000)</u>	<u>(285,000)</u>
Total Long-Term Debt	<u>6,445,000</u>	<u>6,745,000</u>
Total Liabilities	<u>7,036,766</u>	<u>7,312,902</u>
Net Assets:		
Contributed capital (unrestricted)	4,608,103	4,475,692
Memberships (temporarily restricted)	750,760	718,532
Retained earnings:		
Unrestricted	<u>20,542,008</u>	<u>19,942,994</u>
Total Net Assets	<u>25,900,871</u>	<u>25,137,218</u>
Total Liabilities and Net Assets	<u><u>\$ 32,937,637</u></u>	<u><u>\$ 32,450,120</u></u>

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

BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Water and sewer sales	\$ 7,279,744	\$ 7,223,287
Water meter fees	365,979	341,142
Tie on fees	<u>174,100</u>	<u>164,500</u>
Total Operating Revenues	<u>7,819,823</u>	<u>7,728,929</u>
Operating Expenses:		
Distribution	4,726,102	4,658,190
Administration	422,786	401,960
Office	<u>446,400</u>	<u>423,990</u>
Total Operating Expenses	<u>5,595,288</u>	<u>5,484,140</u>
Income from Operations	<u>2,224,535</u>	<u>2,244,789</u>
Other Revenues (Expenses):		
Other income	106,874	144,068
Gain on sale of assets	-	11,694
Interest income	11,153	6,955
Interest expense	(311,478)	(324,017)
Amortization of debt issue costs	(10,131)	(10,131)
Depreciation expense	<u>(1,560,271)</u>	<u>(1,570,903)</u>
Total Other Revenues (Expenses)	<u>(1,763,853)</u>	<u>(1,742,334)</u>
Change in Net Assets - Unrestricted Retained Earnings	<u>\$ 460,682</u>	<u>\$ 502,455</u>

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

BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Contributed Capital (Unrestricted)	Memberships (Temporarily Restricted)	Retained Earnings		Total Net Assets
			Unrestricted	Temporarily Restricted	
Net assets, December 31, 2013	\$ 4,507,867	\$ 686,670	\$ 19,303,734	\$ -	\$ 24,498,271
Change in net assets - unrestricted retained earnings		-	502,455		502,455
Increase in members	-	31,862	-		31,862
Distribution system contributed from new developments	104,630	-	-	-	104,630
Amortization of contributed capital	(136,805)	-	136,805	-	-
Change in net assets	(32,175)	31,862	639,260	-	638,947
Net assets, December 31, 2014	4,475,692	718,532	19,942,994	-	25,137,218
Change in net assets - unrestricted retained earnings		-	460,682		460,682
Increase in members		32,228	-		32,228
Distribution system contributed from new developments	270,743	-	-	-	270,743
Amortization of contributed capital	(138,332)	-	138,332	-	-
Change in net assets	132,411	32,228	599,014	-	763,653
Net assets, December 31, 2015	\$ 4,608,103	\$ 750,760	\$ 20,542,008	\$ -	\$ 25,900,871

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

BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Operating Activities:		
Change in net assets - unrestricted retained earnings	\$ 460,682	\$ 502,455
Adjustments to reconcile change in net assets - unrestricted retained earnings to cash provided by operating activities:		
Depreciation & amortization	1,570,402	1,581,034
Gain on sale of equipment	-	(11,694)
Increase (decrease) in working capital related to:		
Accounts receivable	(38,698)	(55,603)
Inventory	(7,636)	(15,259)
Prepaid expenses	(5,900)	8,392
Accounts payable	(27,573)	(36,483)
Accrued expenses	36,437	(16,264)
Net cash provided by operating activities	<u>1,987,714</u>	<u>1,956,578</u>
Investing Activities:		
Acquisition of plant and equipment	(1,215,967)	(1,096,175)
Proceeds from sale of assets	-	15,150
Contributions (i.e., reimbursements) from new developments	270,743	104,630
(Increase) decrease in notes receivable	(6,642)	3,778
Increase in investments in certificates of deposit	(227)	(227)
Net cash used in investing activities	<u>(952,093)</u>	<u>(972,844)</u>
Financing Activities:		
Retirement of notes payable	(285,000)	(275,000)
Increase in memberships	32,228	31,862
Net cash used in financing activities	<u>(252,772)</u>	<u>(243,138)</u>
Net increase in cash	782,849	740,596
Cash and cash equivalents, at beginning of year	5,573,716	4,833,120
Cash and cash equivalents, at end of year	<u>\$ 6,356,565</u>	<u>\$ 5,573,716</u>
Supplemental disclosures:		
Cash paid for interest on debt	\$ 311,478	\$ 324,017

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

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 1: Nature of Activities and Significant Accounting Policies

Nature of Activities

Bethesda Water Supply Corporation (the Corporation) has been in operation since 1964. The Corporation supplies water to customers in the rural area surrounding Burleson, Texas. These services are primarily provided by a system of wells and water lines, which have been installed and are operated by the Corporation. Sale of water is the principal source of income.

The Corporation is governed by a seven-person Board of Directors who are elected by the membership. The Board is responsible for the financial and managerial decisions of the Corporation, as well as compliance with laws and regulations.

Summary of Significant Accounting Policies

A summary of the Corporation's significant accounting policies consistently applied to the preparation of the accompanying financial statements follows:

Basis of Presentation

The Corporation utilizes the accrual basis of accounting, which conforms to generally accepted accounting principles in the United States of America.

The Corporation is also required to report information regarding its net assets according to the following three net asset classes: *unrestricted* which includes the operating funds expended in daily operations; *temporarily restricted* which includes amounts designated for memberships; and *permanently restricted* which would be amounts restricted in perpetuity of which the Corporation has none.

Investments

Investments are reported at cost and are classified as investments to be held to maturity. The Corporation's investment policy is to invest in quality assets that produce a reasonable rate of return and liquidity that may include U.S. government securities, collective or pooled funds, money market funds, certificates of deposit, commercial paper, and stocks with an average rating of "A". The Corporation was in compliance with its investment policy as of December 31, 2015 and 2014.

Accounts Receivable

Accounts receivable arise from the sale of water and related services. Water meters with accounts receivable past due more than one month are locked until the past due amount is paid in full. Bad debts resulting from non-payment of accounts receivable are written off directly to income, and members are terminated from membership for non-payment.

Inventory

Inventory consists of fitting supplies, meters, pipe and other supply items and is stated at cost. Cost is determined substantially by the first-in, first-out method.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Fixed Assets

Fixed assets are recorded at cost and depreciation is provided by the straight-line method over their estimated useful lives. Assets acquired through gifts or donations are recorded at their estimated fair market value at the time of acquisition and depreciated in the same manner as purchased assets. Depreciation is charged as an other expense.

The estimated useful lives of the various classifications of assets are as follows:

Buildings	10-33 Years
Distribution system	10-33 Years
Machinery and equipment	5 Years
Vehicles	3 Years
Furniture and fixtures	5-10 Years

Maintenance and repairs are charged to expense as incurred and major renewals or betterments are capitalized. In 2015 and 2014, depreciation expense was \$1,560,271 and \$1,570,903, respectively.

Amortization of Debt Issue Costs

The Corporation is amortizing the costs associated with the BBVA/Compass Bank note over its repayment terms on the straight-line basis. In 2015 and 2014, amortization expense amounted to \$10,131 and \$10,131, respectively.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The investments in certificates of deposits are not considered to be cash equivalents.

Use of Estimates

Management used estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could vary from the estimates that were used.

Federal Income Tax

The Corporation is exempt from Federal income tax under Internal Revenue Code Section 501(c)(12) and is not a private foundation.

The Corporation is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress. In general, the Corporation is no longer subject to income tax examinations for fiscal years with ending dates 2011 and prior.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 2: Cash and Cash Equivalents

At December 31, 2015 and 2014, the balance of the Corporation's deposits (cash, checking, money market, and savings accounts) amounted to \$6,356,565 and \$5,573,716, respectively.

Note 3: Investments

At December 31, 2015 and 2014, the Corporation's investments consist of the following:

	2015	2014
Certificates of deposit	\$ 325,353	\$ 325,126
	<u>\$ 325,353</u>	<u>\$ 325,126</u>

Certificates of Deposit

The certificates of deposit have interest rates ranging from 0.10% to 0.65% and mature from February 2016 through December 2016.

Fair Value Measurements

The Fair Value Measurements and Disclosures topic of FASB ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes market or observable inputs as the preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. This standard also establishes a hierarchy for grouping assets and liabilities, measured at fair value on a recurring basis, based upon the significance level of the following inputs:

Level I – Quoted prices in active markets for identical assets or liabilities.

Level II – Quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable or whose significant drivers are observable.

Level III – Significant inputs to the valuation model are unobservable.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 3: Investments (continued)

The following is a summary of the fair value measurements as of December 31, 2015, for the statement of financial position items that are required to be presented at fair value:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Certificates of deposit	\$ -	\$ 325,353	\$ -

The following is a summary of the fair value measurements as of December 31, 2014, for the statement of financial position items that are required to be presented at fair value:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Certificates of deposit	\$ -	\$ 325,126	\$ -

Note 4: Accounts Receivable

The Corporation's accounts receivable consist of billings for water usage as follows:

	<u>2015</u>	<u>2014</u>
Accounts Receivable	\$ 466,659	\$ 420,731
Allowance for uncollectible accounts	(54,079)	(46,849)
	<u>\$ 412,580</u>	<u>\$ 373,882</u>

Note 5: Notes Receivable

The Corporation has notes receivable from members. The amount due from notes receivable from members at December 31, 2015 and 2014 was \$7,490 and \$847, respectively. All amounts are due within one year.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 6: Property, Plant and Equipment

A summary of changes in property, plant and equipment during the year ended December 31, 2015, is as follows:

	Beginning Balance	Additions	Retirements & Reclassifications	Ending Balance
Land	\$ 1,228,972	\$ 9,213	\$ -	\$ 1,238,185
Buildings	2,252,006	-	-	2,252,006
Distribution system	46,764,708	946,827	131,011	47,842,546
Machinery & equipment	723,044	7,810	-	730,854
Vehicles	432,519	37,658	(37,200)	432,977
Furniture & fixtures	433,711	36,625	-	470,336
Construction in progress	131,011	177,834	(131,011)	177,834
	51,965,971	1,215,967	(37,200)	53,144,738
Less accumulated depreciation	(26,154,567)	(1,560,271)	37,200	(27,677,638)
	<u>\$ 25,811,404</u>	<u>\$ (344,304)</u>	<u>\$ -</u>	<u>\$ 25,467,100</u>

A summary of changes in property, plant and equipment during the year ended December 31, 2014, is as follows:

	Beginning Balance	Additions	Retirements & Reclassifications	Ending Balance
Land	\$ 1,228,972	\$ -	\$ -	\$ 1,228,972
Buildings	2,252,006	-	-	2,252,006
Distribution system	45,818,337	502,574	443,797	46,764,708
Machinery & equipment	723,044	-	-	723,044
Vehicles	508,390	64,560	(140,431)	432,519
Furniture & fixtures	433,711	-	-	433,711
Construction in progress	45,767	529,041	(443,797)	131,011
	51,010,227	1,096,175	(140,431)	51,965,971
Less accumulated depreciation	(24,720,639)	(1,570,903)	136,975	(26,154,567)
	<u>\$ 26,289,588</u>	<u>\$ (474,728)</u>	<u>\$ (3,456)</u>	<u>\$ 25,811,404</u>

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 7: Long-Term Debt

On February 8, 2013, all existing debt was refinanced with BBVA/Compass Bank in the amount of \$7,630,000. The note requires semiannual payments of interest only on June 1st and principal and interest on December 1st of each year with a final payment on December 1, 2031, the maturity date. Loan covenants require a debt service ratio greater than 1.5 to 1.0. Should the ratio fall below 1.5 to 1.0, a reserve fund is to be established in an amount equal to the maximum annual debt service requirement. The Corporation was in compliance with the debt service ratio and other covenants as of December 31, 2015. The loan is secured by the net revenues of the Corporation.

A summary of long-term debt for the year ended December 31, 2015, is as follows:

Date of Issue	Payment Dates	Interest Rates	Original Amount	Beginning Balance	Additions	Retirements	Ending Balance
Feb. 8, 2013	6/1 & 12/1	4.37%	7,630,000	\$ 7,030,000	\$ -	\$ 285,000	\$ 6,745,000
				<u>\$ 7,030,000</u>	<u>\$ -</u>	<u>\$ 285,000</u>	<u>\$ 6,745,000</u>

A summary of long-term debt for the year ended December 31, 2014, is as follows:

Date of Issue	Payment Dates	Interest Rates	Original Amount	Beginning Balance	Additions	Retirements	Ending Balance
Feb. 8, 2013	6/1 & 12/1	4.37%	7,630,000	\$ 7,305,000	\$ -	\$ 275,000	\$ 7,030,000
				<u>\$ 7,305,000</u>	<u>\$ -</u>	<u>\$ 275,000</u>	<u>\$ 7,030,000</u>

Debt service requirements through maturity are as follows as of December 31, 2015:

Year ended December 31,	Principal	Interest	Total
2016	\$ 300,000	\$ 299,669	\$ 599,669
2017	310,000	285,558	595,558
2018	325,000	273,313	598,313
2019	340,000	256,718	596,718
2020	355,000	242,359	597,359
2021 to maturity	5,115,000	1,459,349	6,574,349
TOTALS	<u>\$ 6,745,000</u>	<u>\$ 2,816,966</u>	<u>\$ 9,561,966</u>

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 8: Amortization of Contributed Capital

The Corporation has elected to amortize contributed capital over the estimated useful life of the plant and distribution system assets acquired for use by the Corporation through contribution from an outside source (i.e., residential development companies). This election is based on the same accounting principle used by a governmental enterprise fund to amortize contributed capital as a credit to retained earnings as an offset of depreciation expense on the above-mentioned assets. For the years ended December 31, 2015 and 2014, amortization of contributed capital amounted to \$138,332 and \$136,805, respectively.

Note 9: Net Assets

The Corporation's net assets are reported as either unrestricted or temporarily restricted as follows:

	2015	2014
Unrestricted net assets:		
Contributed capital	\$ 4,608,103	\$ 4,475,692
Retained earnings	20,542,008	19,942,994
Total unrestricted net assets	<u>25,150,111</u>	<u>24,418,686</u>
Temporarily restricted net assets:		
Memberships	750,760	718,532
Total temporarily restricted net assets	<u>750,760</u>	<u>718,532</u>
	<u>\$ 25,900,871</u>	<u>\$ 25,137,218</u>

Note 10: Retirement Plans

401(k) Retirement Plan

As of January 1, 2008, the Corporation established a 401(k) retirement plan for its employees. Employees are eligible to participate in the Plan after six months of service. In 2015 and 2014, an employee may contribute up to a maximum of \$18,000 and \$17,500, respectively, (with an additional catch-up contribution of \$6,000 and \$5,500, respectively, for qualified individuals) to the Plan. The Corporation contributes to the Plan through matching contributions. Participants are vested in the Corporation's contributions for its matching portion in 20% increments every year after two years of service and become fully vested after six years of service. The Corporation's contribution to the Plan for the years ended December 31, 2015 and 2014 was \$12,709 and \$12,079, respectively.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 10: Retirement Plans (continued)

Profit Sharing Plan

The Corporation also has a non-contributory employee profit sharing retirement plan. Employees are eligible to participate in Plan contributions on the first day of the Plan year after six months of service and vest in 20% increments every year after two years of service and become fully vested after six years of service. The Corporation's profit sharing contribution is discretionary and is not limited to current or accumulated earnings. The amount contributed to the profit sharing plan is calculated on eligible employees' compensation excluding overtime and bonuses. The Corporation's contribution to the profit sharing plan for the year ended December 31, 2015 and 2014 amounted to \$79,364 and \$75,164, respectively.

Note 11: Compensated Absences

Regular full time employees are allowed sick leave after 90 days of employment. Employees earn one day per ten weeks of continuous service with a maximum of five days. Sick leave not used during the year in which it accrues accumulates and is available for use in succeeding years. Unused sick leave is not compensatory upon separation from employment until after ten years of continuous employment. Compensatory sick leave schedule then commences as follows: 120 months of continued employment may be compensated 50% of accumulated sick leave increasing at 5% increments per additional 12 months of employment up to 90 days maximum.

The Corporation's employees earn vacation based on their years of service as follows: new employees earn one day of vacation leave for every five weeks worked from the date of hire to December 31st of their employment, employees with one to ten years of service earn 10 days of vacation leave per year, employees with over ten years of service earn 15 days of vacation leave per year, and employees with over 20 years of service earn 20 days per year. Each December 31st, an employee may be paid for up to 50% of the amount accrued from the prior year and any remaining vacation days are forfeited. Therefore, compensated absences are not accrued as a liability in the accompanying statement of financial position.

Note 12: Commitments and Contingencies

Water Purchase Contract

In October 1992, the Corporation entered into a contract with the City of Fort Worth for the purpose of providing for surface water purchases. Under the terms of the contract, payments are based on consumption with annual rate adjustments effective each October 1st and payments are made monthly for the previous month's usage. In November 2010, the contract was revised with an effective date of January 1, 2011 and a termination date of September 30, 2031. The cost of water purchases amounted to \$2,698,249 and \$2,513,181 in 2015 and 2014, respectively.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 12: Commitments and Contingencies (continued)

In December 2015, the Corporation entered into an additional contract with the City of Arlington for the purpose of providing for surface water purchases and the construction of a water transmission line. Under the terms of the contract, payments are based upon consumption with a required minimum purchase. The contract is for a period of twenty years with the ability to renew for two additional ten year renewals. As of December 31, 2015, the construction of the water transmission line has not started, and no water purchases have taken place.

Construction

Due to the continued residential growth in the Corporation's service area, several construction projects are in process or are in the planning stages for the distribution system.

Litigation

The Corporation is subject to claims and lawsuits arising principally in the normal course of operations. The Corporation maintains liability insurance coverage for these matters.

Note 13: Concentrations of Credit Risk

The Corporation maintains cash balances at several banks. Accounts at each institution are insured by the FDIC and balances in excess of the FDIC coverage are guaranteed by securities pledged by two financial institutions. As of December 31, 2014, cash and cash equivalents were fully collateralized. As of December 31, 2015, cash and cash equivalents were not fully collateralized by \$169,450.

Note 14: Subsequent Events

Subsequent events have been evaluated through February 26, 2016, the date the financial statements were available to be issued.

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Supplementary Schedules

BETHESDA WATER SUPPLY CORPORATION
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Distribution	Administration	Office	Total
Accounting and auditing fees	\$ -	\$ 15,200	\$ -	\$ 15,200
Advertising	-	4,686	-	4,686
Chemical analysis and testing	12,585	-	-	12,585
Communications	6,760	1,981	13,562	22,303
Contract billing	-	-	91,086	91,086
Contract labor	5,601	-	-	5,601
Customer notification	-	-	6,229	6,229
Dues and memberships	-	6,775	-	6,775
Filing fees	-	-	4,849	4,849
Health insurance	100,863	32,195	46,434	179,492
Insurance	62,886	125	-	63,011
Janitorial	-	-	5,840	5,840
Legal	-	5,293	-	5,293
Maintenance contracts	-	-	12,121	12,121
Meals and gatherings	-	5,184	-	5,184
Minor tools	1,137	-	-	1,137
Miscellaneous expense	-	4,123	170	4,293
Payroll taxes	35,157	18,679	13,164	67,000
Postage and freight	-	-	5,466	5,466
Pre-employment & other	190	-	258	448
Regulatory fees	-	21,304	-	21,304
Repairs and maintenance	571,733	-	21,638	593,371
Retirement and profit-sharing plan	44,802	29,730	17,541	92,073
Safety gear and uniforms	11,387	-	-	11,387
Salaries and wages	473,573	247,751	179,203	900,527
SCADA	67,618	-	-	67,618
Supplies	-	-	16,133	16,133
Training	1,202	17,455	-	18,657
Transportation	67,234	5,076	-	72,310
Uncollectible accounts	-	7,229	-	7,229
Utilities	459,664	-	12,706	472,370
Water treatment	45,025	-	-	45,025
Wholesale sewer expense	60,436	-	-	60,436
Wholesale water purchased	2,698,249	-	-	2,698,249
	<u>\$ 4,726,102</u>	<u>\$ 422,786</u>	<u>\$ 446,400</u>	<u>\$ 5,595,288</u>

BETHESDA WATER SUPPLY CORPORATION
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Distribution	Administration	Office	Total
Accounting and auditing fees	\$ -	\$ 14,350	\$ -	\$ 14,350
Advertising	-	3,591	-	3,591
Chemical analysis and testing	19,943	-	-	19,943
Communications	6,011	3,579	13,625	23,215
Contract billing	-	-	85,183	85,183
Contract labor	15,565	-	-	15,565
Customer notification	-	-	5,844	5,844
Dues and memberships	-	11,085	-	11,085
Filing fees	-	-	7,144	7,144
Health insurance	87,739	27,116	40,758	155,613
Insurance	61,874	455	-	62,329
Janitorial	-	-	6,144	6,144
Legal	-	2,794	-	2,794
Maintenance contracts	-	-	10,134	10,134
Meals and gatherings	-	7,925	-	7,925
Minor tools	3,456	-	-	3,456
Miscellaneous expense	-	4,048	223	4,271
Payroll taxes	32,870	17,917	12,416	63,203
Postage and freight	-	-	3,590	3,590
Pre-employment & other	538	-	266	804
Regulatory fees	-	21,164	-	21,164
Repairs and maintenance	641,500	-	17,223	658,723
Retirement and profit-sharing plan	43,194	26,724	17,325	87,243
Safety gear and uniforms	9,698	-	-	9,698
Salaries and wages	441,452	238,222	167,969	847,643
SCADA	71,975	-	-	71,975
Supplies	-	-	15,612	15,612
Training	1,310	14,701	-	16,011
Transportation	90,090	5,905	-	95,995
Uncollectible accounts	-	2,384	-	2,384
Utilities	530,269	-	20,534	550,803
Water treatment	45,653	-	-	45,653
Wholesale sewer expense	41,872	-	-	41,872
Wholesale water purchased	2,513,181	-	-	2,513,181
	<u>\$ 4,658,190</u>	<u>\$ 401,960</u>	<u>\$ 423,990</u>	<u>\$ 5,484,140</u>

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BETHESDA WATER SUPPLY CORPORATION

Audited Financial Statements

December 31, 2016 and 2015

Gilliam, Wharram & Co., P.C.
Certified Public Accountants

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BETHESDA WATER SUPPLY CORPORATION
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GILLIAM, WHARRAM & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

107 WESTMEADOW DR. • P.O. BOX 118
CLEBURNE, TEXAS 76033 • (817) 641-2274
FAX (817) 641-2474

Independent Auditor's Report

To the Board of Directors
Bethesda Water Supply Corporation
Burleson, Texas

We have audited the accompanying financial statements of Bethesda Water Supply Corporation, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bethesda Water Supply Corporation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of operating expenses on page 20 and 21 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gilliam, Wharram & Co., P.C.

Gilliam, Wharram & Co., P.C.
Cleburne, Texas
February 27, 2017

Financial Statements

BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

| | <u>2016</u> | <u>2015</u> |
|--|-----------------------------|-----------------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 7,155,970 | \$ 6,356,565 |
| Investment in certificates of deposit | 325,581 | 325,353 |
| Accounts receivable, net of allowance | 430,880 | 412,580 |
| Notes receivable | 796 | 7,490 |
| Inventory | 164,151 | 191,464 |
| Prepaid expenses | 9,109 | 14,882 |
| Total Current Assets | <u>8,086,487</u> | <u>7,308,334</u> |
| Property, Plant and Equipment: | | |
| Property, plant and equipment, total | 54,277,414 | 53,144,738 |
| Less: Accumulated depreciation | <u>(29,253,477)</u> | <u>(27,677,638)</u> |
| Total Property, Plant and Equipment, net | <u>25,023,937</u> | <u>25,467,100</u> |
| Other Assets: | | |
| Deferred debt issue costs, net of amortization | 151,972 | 162,103 |
| Deposits | <u>100</u> | <u>100</u> |
| Total Other Assets | <u>152,072</u> | <u>162,203</u> |
| Total Assets | <u><u>\$ 33,262,496</u></u> | <u><u>\$ 32,937,637</u></u> |

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

BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2016 AND 2015

LIABILITIES AND NET ASSETS

| | <u>2016</u> | <u>2015</u> |
|---|-----------------------------|-----------------------------|
| Current Liabilities: | | |
| Accounts payable | \$ 481,566 | \$ 164,005 |
| Other accrued expenses | 107,323 | 127,761 |
| Current portion of long-term debt | <u>310,000</u> | <u>300,000</u> |
| Total Current Liabilities | <u>898,889</u> | <u>591,766</u> |
| Long-Term Debt: | | |
| Note payable | 6,445,000 | 6,745,000 |
| Less: Current portion of long-term debt | <u>(310,000)</u> | <u>(300,000)</u> |
| Total Long-Term Debt | <u>6,135,000</u> | <u>6,445,000</u> |
| Total Liabilities | <u>7,033,889</u> | <u>7,036,766</u> |
| Net Assets: | | |
| Contributed capital (unrestricted) | 4,617,242 | 4,608,103 |
| Memberships (temporarily restricted) | 767,970 | 750,760 |
| Retained earnings: | | |
| Unrestricted | <u>20,843,395</u> | <u>20,542,008</u> |
| Total Net Assets | <u>26,228,607</u> | <u>25,900,871</u> |
| Total Liabilities and Net Assets | <u><u>\$ 33,262,496</u></u> | <u><u>\$ 32,937,637</u></u> |

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

BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | <u>2016</u> | <u>2015</u> |
|---|--------------------|--------------------|
| Operating Revenues: | | |
| Water and sewer sales | \$ 6,928,703 | \$ 7,279,744 |
| Water meter fees | 373,515 | 365,979 |
| Tie on fees | <u>140,500</u> | <u>174,100</u> |
| Total Operating Revenues | <u>7,442,718</u> | <u>7,819,823</u> |
| Operating Expenses: | | |
| Distribution | 4,603,873 | 4,726,102 |
| Administration | 436,183 | 422,786 |
| Office | <u>478,661</u> | <u>446,400</u> |
| Total Operating Expenses | <u>5,518,717</u> | <u>5,595,288</u> |
| Income from Operations | <u>1,924,001</u> | <u>2,224,535</u> |
| Other Revenues (Expenses): | | |
| Other income | 116,034 | 106,874 |
| Gain on sale of assets | 9,006 | - |
| Interest income | 18,049 | 11,153 |
| Interest expense | (299,669) | (311,478) |
| Amortization of debt issue costs | (10,131) | (10,131) |
| Depreciation expense | <u>(1,596,391)</u> | <u>(1,560,271)</u> |
| Total Other Revenues (Expenses) | <u>(1,763,102)</u> | <u>(1,763,853)</u> |
| Change in Net Assets - Unrestricted Retained Earnings | <u>\$ 160,899</u> | <u>\$ 460,682</u> |

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

BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | Contributed
Capital
(Unrestricted) | Memberships
(Temporarily
Restricted) | Retained Earnings | | Total
Net
Assets |
|--|--|--|-------------------|---------------------------|------------------------|
| | | | Unrestricted | Temporarily
Restricted | |
| Net assets, December 31, 2014 | \$ 4,475,692 | \$ 718,532 | \$ 19,942,994 | \$ - | \$ 25,137,218 |
| Change in net assets - unrestricted
retained earnings | | | 460,682 | | 460,682 |
| Increase in members | | 32,228 | - | | 32,228 |
| Distribution system contributed
from new developments | 270,743 | - | - | - | 270,743 |
| Amortization of contributed capital | (138,332) | - | 138,332 | - | - |
| Change in net assets | 132,411 | 32,228 | 599,014 | - | 763,653 |
| Net assets, December 31, 2015 | 4,608,103 | 750,760 | 20,542,008 | - | 25,900,871 |
| Change in net assets - unrestricted
retained earnings | | | 160,899 | | 160,899 |
| Increase in members | | 17,210 | - | | 17,210 |
| Distribution system contributed
from new developments | 149,627 | - | - | - | 149,627 |
| Amortization of contributed capital | (140,488) | - | 140,488 | - | - |
| Change in net assets | 9,139 | 17,210 | 301,387 | - | 327,736 |
| Net assets, December 31, 2016 | \$ 4,617,242 | \$ 767,970 | \$ 20,843,395 | \$ - | \$ 26,228,607 |

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

BETHESDA WATER SUPPLY CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| Operating Activities: | | |
| Change in net assets - unrestricted retained earnings | \$ 160,899 | \$ 460,682 |
| Adjustments to reconcile change in net assets - unrestricted retained earnings to cash provided by operating activities: | | |
| Depreciation & amortization | 1,606,522 | 1,570,402 |
| Gain on sale of assets | (9,006) | - |
| Increase (decrease) in working capital related to: | | |
| Accounts receivable | (18,300) | (38,698) |
| Inventory | 27,313 | (7,636) |
| Prepaid expenses | 5,773 | (5,900) |
| Accounts payable | 317,561 | (27,573) |
| Accrued expenses | (20,438) | 36,437 |
| Net cash provided by operating activities | <u>2,070,324</u> | <u>1,987,714</u> |
| Investing Activities: | | |
| Acquisition of plant and equipment | (1,153,228) | (1,215,967) |
| Proceeds from sale of assets | 9,006 | - |
| Contributions (i.e., reimbursements) from new developments | 149,627 | 270,743 |
| (Increase) decrease in notes receivable | 6,694 | (6,642) |
| Increase in investments in certificates of deposit | (228) | (227) |
| Net cash used in investing activities | <u>(988,129)</u> | <u>(952,093)</u> |
| Financing Activities: | | |
| Retirement of notes payable | (300,000) | (285,000) |
| Increase in memberships | 17,210 | 32,228 |
| Net cash used in financing activities | <u>(282,790)</u> | <u>(252,772)</u> |
| Net increase in cash | 799,405 | 782,849 |
| Cash and cash equivalents, at beginning of year | <u>6,356,565</u> | <u>5,573,716</u> |
| Cash and cash equivalents, at end of year | <u>\$ 7,155,970</u> | <u>\$ 6,356,565</u> |
| Supplemental disclosures: | | |
| Cash paid for interest on debt | \$ 299,669 | \$ 311,478 |

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

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Note 1: Nature of Activities and Significant Accounting Policies

Nature of Activities

Bethesda Water Supply Corporation (the Corporation) has been in operation since 1964. The Corporation supplies water to customers in the rural area surrounding Burleson, Texas. These services are primarily provided by a system of wells and water lines, which have been installed and are operated by the Corporation. Sale of water is the principal source of income.

The Corporation is governed by a seven-person Board of Directors who are elected by the membership. The Board is responsible for the financial and managerial decisions of the Corporation, as well as compliance with laws and regulations.

Summary of Significant Accounting Policies

A summary of the Corporation's significant accounting policies consistently applied to the preparation of the accompanying financial statements follows:

Basis of Presentation

The Corporation utilizes the accrual basis of accounting, which conforms to generally accepted accounting principles in the United States of America.

The Corporation is also required to report information regarding its net assets according to the following three net asset classes: *unrestricted* which includes the operating funds expended in daily operations; *temporarily restricted* which includes amounts designated for memberships; and *permanently restricted* which would be amounts restricted in perpetuity of which the Corporation has none.

Investments

Investments are reported at cost and are classified as investments to be held to maturity. The Corporation's investment policy is to invest in quality assets that produce a reasonable rate of return and liquidity that may include U.S. government securities, collective or pooled funds, money market funds, certificates of deposit, commercial paper, and stocks with an average rating of "A". The Corporation was in compliance with its investment policy as of December 31, 2016 and 2015.

Accounts Receivable

Accounts receivable arise from the sale of water and related services. Water meters with accounts receivable past due more than one month are locked until the past due amount is paid in full. Bad debts resulting from non-payment of accounts receivable are written off directly to income, and members are terminated from membership for non-payment.

Inventory

Inventory consists of fitting supplies, meters, pipe and other supply items and is stated at cost. Cost is determined substantially by the first-in, first-out method.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Fixed Assets

Fixed assets are recorded at cost and depreciation is provided by the straight-line method over their estimated useful lives. Assets acquired through gifts or donations are recorded at their estimated fair market value at the time of acquisition and depreciated in the same manner as purchased assets. Depreciation is charged as an other expense.

The estimated useful lives of the various classifications of assets are as follows:

| | |
|-------------------------|-------------|
| Buildings | 10-33 Years |
| Distribution system | 10-33 Years |
| Machinery and equipment | 5 Years |
| Vehicles | 3 Years |
| Furniture and fixtures | 5-10 Years |

Maintenance and repairs are charged to expense as incurred and major renewals or betterments are capitalized. In 2016 and 2015, depreciation expense was \$1,596,391 and \$1,560,271; respectively.

Amortization of Debt Issue Costs

The Corporation is amortizing the costs associated with the BBVA/Compass Bank note over its repayment terms on the straight-line basis. In 2016 and 2015, amortization expense amounted to \$10,131 and \$10,131, respectively.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The investments in certificates of deposits are not considered to be cash equivalents.

Use of Estimates

Management used estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could vary from the estimates that were used.

Federal Income Tax

The Corporation is exempt from Federal income tax under Internal Revenue Code Section 501(c)(12) and is not a private foundation.

The Corporation is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress. In general, the Corporation is no longer subject to income tax examinations for fiscal years with ending dates 2012 and prior.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Note 2: Cash and Cash Equivalents

At December 31, 2016 and 2015, the balance of the Corporation's deposits (cash, checking, money market, and savings accounts) amounted to \$7,155,970 and \$6,356,565, respectively.

Note 3: Investments

At December 31, 2016 and 2015, the Corporation's investments consist of the following:

| | <u>2016</u> | <u>2015</u> |
|-------------------------|-------------------|-------------------|
| Certificates of deposit | \$ 325,581 | \$ 325,353 |
| | <u>\$ 325,581</u> | <u>\$ 325,353</u> |

Certificates of Deposit

The certificates of deposit have interest rates ranging from 0.10% to 0.65% and mature from February 2017 through December 2017.

Fair Value Measurements

The Fair Value Measurements and Disclosures topic of FASB ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes market or observable inputs as the preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. This standard also establishes a hierarchy for grouping assets and liabilities, measured at fair value on a recurring basis, based upon the significance level of the following inputs:

Level I – Quoted prices in active markets for identical assets or liabilities.

Level II – Quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable or whose significant drivers are observable.

Level III – Significant inputs to the valuation model are unobservable.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Note 3: Investments (continued)

The following is a summary of the fair value measurements as of December 31, 2016, for the statement of financial position items that are required to be presented at fair value:

| | <u>Level I</u> | <u>Level II</u> | <u>Level III</u> |
|-------------------------|----------------|-----------------|------------------|
| Certificates of deposit | \$ - | \$ 325,581 | \$ - |

The following is a summary of the fair value measurements as of December 31, 2015, for the statement of financial position items that are required to be presented at fair value:

| | <u>Level I</u> | <u>Level II</u> | <u>Level III</u> |
|-------------------------|----------------|-----------------|------------------|
| Certificates of deposit | \$ - | \$ 325,353 | \$ - |

Note 4: Accounts Receivable

The Corporation's accounts receivable consist of billings for water usage as follows:

| | <u>2016</u> | <u>2015</u> |
|--------------------------------------|-------------------|-------------------|
| Accounts Receivable | \$ 490,228 | \$ 466,658 |
| Allowance for uncollectible accounts | (59,348) | (54,078) |
| | <u>\$ 430,880</u> | <u>\$ 412,580</u> |

Note 5: Notes Receivable

The Corporation has notes receivable from members. The amount due from notes receivable from members at December 31, 2016 and 2015 was \$796 and \$7,490, respectively. All amounts are due within one year.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Note 6: Property, Plant and Equipment

A summary of changes in property, plant and equipment during the year ended December 31, 2016, is as follows:

| | Beginning
Balance | Additions | Retirements &
Reclassifications | Ending
Balance |
|-------------------------------|----------------------|---------------------|------------------------------------|----------------------|
| Land | \$ 1,238,185 | \$ - | \$ - | \$ 1,238,185 |
| Buildings | 2,252,006 | - | - | 2,252,006 |
| Distribution system | 47,842,546 | 940,724 | 154,144 | 48,937,414 |
| Machinery & equipment | 730,854 | - | - | 730,854 |
| Vehicles | 432,977 | 63,738 | (20,552) | 476,163 |
| Furniture & fixtures | 470,336 | - | - | 470,336 |
| Construction in progress | 177,834 | 148,766 | (154,144) | 172,456 |
| | 53,144,738 | 1,153,228 | (20,552) | 54,277,414 |
| Less accumulated depreciation | (27,677,638) | (1,596,391) | 20,552 | (29,253,477) |
| | <u>\$ 25,467,100</u> | <u>\$ (443,163)</u> | <u>\$ -</u> | <u>\$ 25,023,937</u> |

A summary of changes in property, plant and equipment during the year ended December 31, 2015, is as follows:

| | Beginning
Balance | Additions | Retirements &
Reclassifications | Ending
Balance |
|-------------------------------|----------------------|---------------------|------------------------------------|----------------------|
| Land | \$ 1,228,972 | \$ 9,213 | \$ - | \$ 1,238,185 |
| Buildings | 2,252,006 | - | - | 2,252,006 |
| Distribution system | 46,764,708 | 946,827 | 131,011 | 47,842,546 |
| Machinery & equipment | 723,044 | 7,810 | - | 730,854 |
| Vehicles | 432,519 | 37,658 | (37,200) | 432,977 |
| Furniture & fixtures | 433,711 | 36,625 | - | 470,336 |
| Construction in progress | 131,011 | 177,834 | (131,011) | 177,834 |
| | 51,965,971 | 1,215,967 | (37,200) | 53,144,738 |
| Less accumulated depreciation | (26,154,567) | (1,560,271) | 37,200 | (27,677,638) |
| | <u>\$ 25,811,404</u> | <u>\$ (344,304)</u> | <u>\$ -</u> | <u>\$ 25,467,100</u> |

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Note 7: Long-Term Debt

On February 8, 2013, all existing debt was refinanced with BBVA/Compass Bank in the amount of \$7,630,000. The note requires semiannual payments of interest only on June 1st and principal and interest on December 1st of each year with a final payment on December 1, 2031, the maturity date. Loan covenants require a debt service ratio greater than 1.5 to 1.0. Should the ratio fall below 1.5 to 1.0, a reserve fund is to be established in an amount equal to the maximum annual debt service requirement. The Corporation was in compliance with the debt service ratio and other covenants as of December 31, 2016. The loan is secured by the net revenues of the Corporation.

A summary of long-term debt for the year ended December 31, 2016, is as follows:

| Date of Issue | Payment Dates | Interest Rates | Original Amount | Beginning Balance | Additions | Retirements | Ending Balance |
|---------------|---------------|----------------|-----------------|---------------------|-------------|-------------------|---------------------|
| Feb. 8, 2013 | 6/1 & 12/1 | 4.37% | 7,630,000 | \$ 6,745,000 | \$ - | \$ 300,000 | \$ 6,445,000 |
| | | | | <u>\$ 6,745,000</u> | <u>\$ -</u> | <u>\$ 300,000</u> | <u>\$ 6,445,000</u> |

A summary of long-term debt for the year ended December 31, 2015, is as follows:

| Date of Issue | Payment Dates | Interest Rates | Original Amount | Beginning Balance | Additions | Retirements | Ending Balance |
|---------------|---------------|----------------|-----------------|---------------------|-------------|-------------------|---------------------|
| Feb. 8, 2013 | 6/1 & 12/1 | 4.37% | 7,630,000 | \$ 7,030,000 | \$ - | \$ 285,000 | \$ 6,745,000 |
| | | | | <u>\$ 7,030,000</u> | <u>\$ -</u> | <u>\$ 285,000</u> | <u>\$ 6,745,000</u> |

Debt service requirements through maturity are as follows as of December 31, 2016:

| Year ended December 31, | Principal | Interest | Total |
|-------------------------|---------------------|---------------------|---------------------|
| 2017 | \$ 310,000 | \$ 285,558 | \$ 595,558 |
| 2018 | 325,000 | 273,313 | 598,313 |
| 2019 | 340,000 | 256,718 | 596,718 |
| 2020 | 355,000 | 242,359 | 597,359 |
| 2021 | 370,000 | 226,630 | 596,630 |
| 2022 to maturity | 4,745,000 | 1,232,719 | 5,977,719 |
| TOTALS | <u>\$ 6,445,000</u> | <u>\$ 2,517,297</u> | <u>\$ 8,962,297</u> |

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Note 8: Amortization of Contributed Capital

The Corporation has elected to amortize contributed capital over the estimated useful life of the plant and distribution system assets acquired for use by the Corporation through contribution from an outside source (i.e., residential development companies). This election is based on the same accounting principle used by a governmental enterprise fund to amortize contributed capital as a credit to retained earnings as an offset of depreciation expense on the above-mentioned assets. For the years ended December 31, 2016 and 2015, amortization of contributed capital amounted to \$140,488 and \$138,332, respectively.

Note 9: Net Assets

The Corporation's net assets are reported as either unrestricted or temporarily restricted as follows:

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Unrestricted net assets: | | |
| Contributed capital | \$ 4,617,242 | \$ 4,608,103 |
| Retained earnings | 20,843,395 | 20,542,008 |
| Total unrestricted net assets | <u>25,460,637</u> | <u>25,150,111</u> |
| Temporarily restricted net assets: | | |
| Memberships | <u>767,970</u> | <u>750,760</u> |
| Total temporarily restricted net assets | <u>767,970</u> | <u>750,760</u> |
| | <u>\$ 26,228,607</u> | <u>\$ 25,900,871</u> |

Note 10: Retirement Plans

401(k) Retirement Plan

As of January 1, 2008, the Corporation established a 401(k) retirement plan for its employees. Employees are eligible to participate in the Plan after six months of service. In 2016 and 2015, an employee may contribute up to a maximum of \$18,000, (with an additional catch-up contribution of \$6,000 for qualified individuals) to the Plan. The Corporation contributes to the Plan through matching contributions. Participants are vested in the Corporation's contributions for its matching portion in 20% increments every year after two years of service and become fully vested after six years of service. The Corporation's contribution to the Plan for the years ended December 31, 2016 and 2015 was \$13,498 and \$12,709, respectively.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Note 10: Retirement Plans (continued)

Profit Sharing Plan

The Corporation also has a non-contributory employee profit sharing retirement plan. Employees are eligible to participate in Plan contributions on the first day of the Plan year after six months of service and vest in 20% increments every year after two years of service and become fully vested after six years of service. The Corporation's profit sharing contribution is discretionary and is not limited to current or accumulated earnings. The amount contributed to the profit sharing plan is calculated on eligible employees' compensation excluding overtime and bonuses. The Corporation's contribution to the profit sharing plan for the year ended December 31, 2016 and 2015 amounted to \$81,064 and \$79,364, respectively.

Note 11: Compensated Absences

Regular full time employees are allowed sick leave after 90 days of employment. Employees earn one day per ten weeks of continuous service with a maximum of five days. Sick leave not used during the year in which it accrues accumulates and is available for use in succeeding years. Unused sick leave is not compensatory upon separation from employment until after ten years of continuous employment. Compensatory sick leave schedule then commences as follows: 120 months of continued employment may be compensated 50% of accumulated sick leave increasing at 5% increments per additional 12 months of employment up to 90 days maximum.

The Corporation's employees earn vacation based on their years of service as follows: new employees earn one day of vacation leave for every five weeks worked from the date of hire to December 31st of their employment, employees with one to ten years of service earn 10 days of vacation leave per year, employees with over ten years of service earn 15 days of vacation leave per year, and employees with over 20 years of service earn 20 days per year. Each December 31st, an employee may be paid for up to 50% of the amount accrued from the prior year and any remaining vacation days are forfeited. Therefore, compensated absences are not accrued as a liability in the accompanying statement of financial position.

Note 12: Commitments and Contingencies

Water Purchase Contract

In October 1992, the Corporation entered into a contract with the City of Fort Worth for the purpose of providing for surface water purchases. Under the terms of the contract, payments are based on consumption with annual rate adjustments effective each October 1st and payments are made monthly for the previous month's usage. In November 2010, the contract was revised with an effective date of January 1, 2011 and a termination date of September 30, 2031. The cost of water purchases amounted to \$2,611,509 and \$2,698,249 in 2016 and 2015, respectively.

BETHESDA WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Note 12: Commitments and Contingencies (continued)

In December 2015, the Corporation entered into an additional contract with the City of Arlington for the purpose of providing for surface water purchases and the construction of a water transmission line. Under the terms of the contract, payments are based upon consumption with a required minimum purchase. The contract is for a period of twenty years with the ability to renew for two additional ten year renewals. As of December 31, 2016, the construction of the water transmission line has not started, and no water purchases have taken place.

Construction

Due to the continued residential growth in the Corporation's service area, several construction projects are in process or are in the planning stages for the distribution system.

Litigation

The Corporation is subject to claims and lawsuits arising principally in the normal course of operations. The Corporation maintains liability insurance coverage for these matters.

Note 13: Concentrations of Credit Risk

The Corporation maintains cash balances at several banks. Accounts at each institution are insured by the FDIC and balances in excess of the FDIC coverage are guaranteed by securities pledged by two financial institutions. As of December 31, 2015, cash and cash equivalents were not fully collateralized by \$169,450. As of December 31, 2016, cash and cash equivalents were fully collateralized.

Note 14: Subsequent Events

Subsequent events have been evaluated through February 27, 2017, the date the financial statements were available to be issued.

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Supplementary Schedules

BETHESDA WATER SUPPLY CORPORATION
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

| | Distribution | Administration | Office | Total |
|------------------------------------|---------------------|-------------------|-------------------|---------------------|
| Accounting and auditing fees | \$ - | \$ 16,180 | \$ - | \$ 16,180 |
| Advertising | - | 5,203 | - | 5,203 |
| Chemical analysis and testing | 19,306 | - | - | 19,306 |
| Communications | 4,978 | 1,829 | 12,343 | 19,150 |
| Contract billing | - | - | 89,389 | 89,389 |
| Contract labor | 3,800 | - | - | 3,800 |
| Customer notification | - | - | 5,684 | 5,684 |
| Dues and memberships | - | 6,192 | - | 6,192 |
| Filing fees | - | - | 4,984 | 4,984 |
| Health insurance | 110,502 | 34,307 | 63,492 | 208,301 |
| Insurance | 62,112 | 375 | - | 62,487 |
| Janitorial | - | - | 4,942 | 4,942 |
| Legal | - | 4,837 | - | 4,837 |
| Maintenance contracts | - | - | 12,303 | 12,303 |
| Meals and gatherings | - | 12,037 | - | 12,037 |
| Minor tools | 2,273 | - | - | 2,273 |
| Miscellaneous expense | - | 3,219 | 286 | 3,505 |
| Payroll taxes | 36,457 | 18,688 | 13,659 | 68,804 |
| Postage and freight | - | - | 3,747 | 3,747 |
| Pre-employment & other | 1,107 | - | - | 1,107 |
| Regulatory fees | - | 24,323 | - | 24,323 |
| Repairs and maintenance | 567,570 | - | 20,800 | 588,370 |
| Retirement and profit-sharing plan | 44,689 | 31,093 | 18,780 | 94,562 |
| Safety gear and uniforms | 10,762 | - | - | 10,762 |
| Salaries and wages | 489,617 | 254,951 | 184,450 | 929,018 |
| SCADA | 11,321 | - | - | 11,321 |
| Supplies | - | - | 22,154 | 22,154 |
| Training | 1,245 | 14,746 | 5,266 | 21,257 |
| Transportation | 69,533 | 2,934 | - | 72,467 |
| Uncollectible accounts | - | 5,269 | - | 5,269 |
| Utilities | 429,916 | - | 16,382 | 446,298 |
| Water treatment | 48,948 | - | - | 48,948 |
| Wholesale sewer expense | 78,228 | - | - | 78,228 |
| Wholesale water purchased | 2,611,509 | - | - | 2,611,509 |
| | <u>\$ 4,603,873</u> | <u>\$ 436,183</u> | <u>\$ 478,661</u> | <u>\$ 5,518,717</u> |

BETHESDA WATER SUPPLY CORPORATION
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

| | Distribution | Administration | Office | Total |
|------------------------------------|---------------------|-------------------|-------------------|---------------------|
| Accounting and auditing fees | \$ - | \$ 15,200 | \$ - | \$ 15,200 |
| Advertising | - | 4,686 | - | 4,686 |
| Chemical analysis and testing | 12,585 | - | - | 12,585 |
| Communications | 6,760 | 1,981 | 13,562 | 22,303 |
| Contract billing | - | - | 91,086 | 91,086 |
| Contract labor | 5,601 | - | - | 5,601 |
| Customer notification | - | - | 6,229 | 6,229 |
| Dues and memberships | - | 6,775 | - | 6,775 |
| Filing fees | - | - | 4,849 | 4,849 |
| Health insurance | 100,863 | 32,195 | 46,434 | 179,492 |
| Insurance | 62,886 | 125 | - | 63,011 |
| Janitorial | - | - | 5,840 | 5,840 |
| Legal | - | 5,293 | - | 5,293 |
| Maintenance contracts | - | - | 12,121 | 12,121 |
| Meals and gatherings | - | 5,184 | - | 5,184 |
| Minor tools | 1,137 | - | - | 1,137 |
| Miscellaneous expense | - | 4,123 | 170 | 4,293 |
| Payroll taxes | 35,157 | 18,679 | 13,164 | 67,000 |
| Postage and freight | - | - | 5,466 | 5,466 |
| Pre-employment & other | 190 | - | 258 | 448 |
| Regulatory fees | - | 21,304 | - | 21,304 |
| Repairs and maintenance | 571,733 | - | 21,638 | 593,371 |
| Retirement and profit-sharing plan | 44,802 | 29,730 | 17,541 | 92,073 |
| Safety gear and uniforms | 11,387 | - | - | 11,387 |
| Salaries and wages | 473,573 | 247,751 | 179,203 | 900,527 |
| SCADA | 67,618 | - | - | 67,618 |
| Supplies | - | - | 16,133 | 16,133 |
| Training | 1,202 | 17,455 | - | 18,657 |
| Transportation | 67,234 | 5,076 | - | 72,310 |
| Uncollectible accounts | - | 7,229 | - | 7,229 |
| Utilities | 459,664 | - | 12,706 | 472,370 |
| Water treatment | 45,025 | - | - | 45,025 |
| Wholesale sewer expense | 60,436 | - | - | 60,436 |
| Wholesale water purchased | 2,698,249 | - | - | 2,698,249 |
| | <u>\$ 4,726,102</u> | <u>\$ 422,786</u> | <u>\$ 446,400</u> | <u>\$ 5,595,288</u> |

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Section 6 B2

Water Rates

Water Rates effective Jan. 2017

| <u>Usage</u> | <u>Rate</u> |
|-----------------------|---------------------------|
| Minimum | 18.50 |
| 0-10,000 gallons | 4.00 per thousand gallons |
| 10,001-40,000 gallons | 4.50 per thousand gallons |
| Over 40,000 gallons | 5.00 per thousand gallons |

Section 6. B2

TARIFF

Bethesda Water Supply Corporation
509 S Burleson Blvd
PO Box 130
Burleson, TX 76097

817-295-2131

Approved and Accepted December 19, 2000

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SAMPLE APPLICATION PACKET

1. Standard Application and Agreement Form (USDA RUS-TX Bulletin 1780-9) (Rev. 5/99)
2. Specific Type Right-of-Way Easement (Form FmHA 442-8)
3. General Type Right-of-Way Easement (Form FmHA 442-9)
4. Non-Standard Application and Agreement

MISCELLANEOUS TRANSACTION FORMS

1. Alternate Billing Agreement for Rental Accounts
2. Confidentiality of Utility Records Form
3. Customer Notice (For Rationing)
4. Customer Notice of 2nd Violation
5. Customer Notice of Subsequent Violation
6. Deferred Payment Agreement
7. Installment Agreement
8. Line Extension Refund Agreement
9. Membership Mortgage Agreement
10. Membership Transfer Authorization
11. Meter Test Authorization and Test Report
12. Notice to Owner of Rental Property
13. Notice of Requirement to comply with the Subdivision and Service Extension Policy
14. Notice of Returned Check
15. Request for Service Discontinuance
16. Right-of-Way Easement Denial Form and Affidavit
17. Equipment and Line Dedication Agreement
18. Termination Notice – Water Ration Violations
19. Termination Notice – Past Due Account
20. Wastewater Billing Services Agreement
21. Customer Notice of Violation
22. Developer Dedication Agreement
23. Applicant's Notice of Insufficient Information
24. Individual Dedication Agreement
25. Service Inspection Certification

MISCELLANEOUS

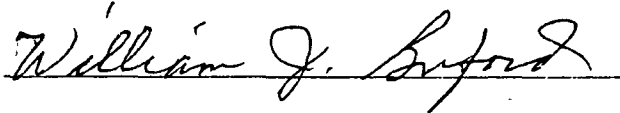
1. Tariff Filing Requirements (TCEQ)
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SECTION A. RESOLUTIONS

THE BOARD OF DIRECTORS OF BETHESDA WATER SUPPLY CORPORATION ESTABLISHES THAT :

1. This Tariff of the Bethesda Water Supply Corporation, serving in Johnson and Tarrant Counties consisting of Sections A. through H. and forms inclusive, is adopted and enacted as the current regulations and policies effective as of December 19, 2000.
 2. Only those preexisting written contracts or agreements executed by the present or previous Board of Directors shall remain in effect, unless the contract or agreement requires compliance with changes of the tariff from time to time.
 3. The adoption of this tariff does not prohibit or limit the Corporation from enforcing previous penalties or assessments from before the current effective date.
 4. An official copy of this and all policies or records shall be available during regular office hours of the Corporation. The Secretary of the Corporation shall maintain the original copy as approved and all previous copies for exhibit.
- Rules and regulations of state or federal agencies having jurisdiction shall supersede any terms of this policy. If any section, paragraph, sentence, clause, phrase, word, or words of this policy are declared unconstitutional or invalid for any purpose, the remainder of this policy shall not be affected.

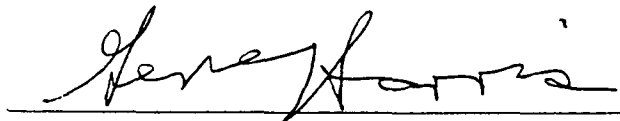
PASSED and APPROVED this 19th day of December, 2000.



President, Bethesda Water Supply Corporation

SEAL

ATTEST:



Secretary, Bethesda Water Supply Corporation

SECTION B.

STATEMENTS

1. **Organization.** The Bethesda Water Supply Corporation is a member-owned, non-profit corporation incorporated pursuant to the Texas Water Code Chapter 67, Nonprofit Water Supply or Sewer Service Corporations and as supplemented by the Texas Non-Profit Corporation Act, Tex. Rev. Civ. Stat. Ann., Article 1396-1.01, et seq. (West 1980, Vernon Supp. 1996 as amended) for the purpose of furnishing potable water and or sewer utility service. Corporation operating policies, rates, and regulations are adopted by the Board of Directors elected by the Members of the Corporation.
2. **Non-Discrimination Policy.** Membership in the Corporation and service is provided to all. Applicants who comply with the provisions of this Tariff regardless of race, creed, color, national origin, sex, disability, or marital status.
3. **Policy and Rule Application.** These policies, rules, and regulations apply to the water and or sewer services provided by the Bethesda Water Supply Corporation, also referred to as Corporation, Bethesda, or BWSC. Failure on the part of the Member, Consumer, or Applicant to observe these policies, rules and regulations gives the Corporation the authority to deny or discontinue service according to the terms of this Tariff as amended from time to time by the Board of Directors of the Corporation.
4. **Corporation Bylaws.** The Corporation Members have adopted bylaws (see Article 1396-2.09) which establish the make-up of the Board of Directors and other important regulations of the Corporation. The bylaws are on file at the Corporation's office.
5. **Fire Protection Responsibility.** The Corporation does not provide nor imply that fire protection is available on any of the distribution system. All hydrants or flush valves are for the operation and maintenance of the system and may be used for refill only by authorized fire departments. The Corporation reserves the right to remove any 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 unless such hydrants are installed pursuant to the terms of a Non-Standard Service Contract as provided for in Section F, in which event the terms and conditions of the Contract shall apply.
6. **Damage Liability.** The Bethesda WSC is not liable for damages caused by service interruptions, events beyond its control, and for normal system failures. The limits of liability of the Bethesda 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 Burleson, Texas. All information collected, assembled, or maintained by or for the Corporation shall be disclosed to the public in accordance with the Texas Public Information Act. An individual customer may request in writing that their address, telephone number, account records, or social security number be kept confidential. Such confidentiality does not prohibit the utility from disclosing this information to an official or employee of the state or a political subdivision of the state acting in an official capacity or an employee of the Corporation acting in connection with the employee's duties. Further, such confidentiality does not prohibit the Corporation from disclosing the

name and address of each member on a list to be made available to the Corporation's voting members, or their agents or attorneys, in connection with a meeting of the Corporation's members. The Corporation shall give its applicants and customers notice of rights to confidentiality under this policy and all prevailing associated fees for such request.

8. **Customer Notice Provisions.** The Corporation shall give written notice of monthly rate changes by mail or hand delivery to all consumers at least 30 days prior to the effective date of the new rate. The notice shall contain the old rates, new rates, effective date of the new rate, date of Board authorization, and the name and phone number of the Corporation's contact person designated to address inquiries about the rate change.
9. **Grievance Procedures.** Any Member of the Corporation or individual demonstrating an interest under the policies of this Tariff in becoming a Member of the Corporation shall have an opportunity to voice concerns or grievances to the Corporation by the following means and procedures:
 - a. By presentation of concerns to the Corporation's manager or authorized staff member. If not resolved to the satisfaction of the aggrieved party then,
 - b. By presenting a letter to the Board of Directors stating the individual's grievance or concern and the desired result.
 - c. The Board of Directors shall respond to the complaint by communicating the Board's decision in writing.
 - d. Any charges or fees contested as a part of the complaint in review by the Corporation under this policy shall be suspended until a satisfactory review and final decision has been made by the Board of Directors.
10. **Customer Service Inspections.** The Corporation requires that a customer service inspection certification be completed prior to providing continuous water service to new construction and for all new members as part of the activation of standard and some non-standard service. Customer service inspections are also required on any existing service when the corporation has reason to believe that cross-connections or other potential contaminant hazards exist, or after any material improvement, correction or addition to the members' water distribution facilities. This inspection is limited to the identification and prevention of cross connections, potential contaminant hazards and illegal lead materials. (30 TAC 290.46(i-j))
11. **Submetering Responsibility.** Submetering and Non-Submetering by Master Metered Accounts may be allowed in the Corporation's water distribution or sewer collection system provided the Master Metered Account customer complies with the Texas Commission on Environmental Quality Chapter 291 Subchapter H rules pertaining to Submetering. The Corporation has no jurisdiction or responsibility to the tenants; tenants receiving water under a Master Metered Account are not considered customers of the Corporation. Any interruption or impairment of water service to the tenants is the responsibility of the Master Metered Account Customer. Any complaints regarding submetering should be directed to the Texas Commission on Environmental Quality.

SECTION C. DEFINITIONS

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

Applicant -- A person, partnership, cooperative corporation, corporation, agency, public or private organization of any type applying for service with the Bethesda Water Supply Corporation.

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

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

Certificate of Convenience and Necessity (CCN) -- The authorization granted under Chapter 13 Subchapter G of the Texas Water Code for Bethesda Water Supply Corporation to provide water and/or sewer utility service within a defined territory. Bethesda Water Supply Corporation has been issued Certificate Number 10089. Territory defined in the CCN shall be the Certificated Service Area. (See Section D. Certificated Service Area Map)

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

Developer -- Any person, partnership, cooperative corporation, corporation, agency, or public or private organization who subdivides land or requests more than two (2) water service connections on a single contiguous tract of land [as defined in Chapter 13.2502 (e)(1) of the Water Code].

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

Easement -- A private perpetual dedicated right-of-way for the installation of water and or sewer pipelines and necessary facilities which allows access to property for future operation, maintenance, facility replacement, facility upgrades, and/or installation of additional pipelines (if applicable). This may also include restrictions on the adjacent area to limit the installation of sewer lines or other facilities that would restrict the use of any area of the easement.

Equity Buy-In Fee -- A fee assessed of new Applicants for service for the purpose of acquiring capital to defray the costs of expanding the system facilities in order to meet the customer growth needs of the Corporation. This fee is charged for each meter equivalent or service unit for which service has been requested. (Section G. 5., also see Miscellaneous)

Final Plat -- A complete plan for the subdivision of a tract of land. The Bethesda Water Supply Corporation shall determine if a plat submitted for the purpose of this Tariff shall qualify as a final plat. (30 TAC 291.85)

Hazardous Condition -- A condition that jeopardizes the health and welfare of the Members/Consumers of the Corporation as determined by the Corporation or regulatory authority.

Impact Fee -- A fee assessed by the City of Ft. Worth to implement the Capital Improvement Program for providing facilities required to meet the new demand for development.

Indication of Interest Fee -- A fee paid by a potential Member of the Corporation for the purpose of determining the feasibility of a construction and /or expansion project.

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

Member -- Any person, partnership, cooperative corporation, corporation, agency, or public or private organization that has qualified for service and received a Membership in accordance with the Corporation's Tariff.

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

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

Proof of Ownership -- Texas Water Code 67.016 (d) gives authority to the corporation to require ownership of real estate designated to receive service as a condition of membership and service. For the purpose of this tariff, applicants for service and membership shall provide proof of ownership by deed of trust, warranty deed, or other recordable documentation of fee simple title to real estate to be served.

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

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

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

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

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

Service Unit -- The base unit of service used in facilities design and rate making. For the purpose of this Tariff, a service unit is a 5/8" X 3/4" water meter.

Subdivide -- To divide the surface area of land into lots intended primarily for residential use. (Local Government Code Chapter 232, Section 232.021 Definitions)

Subdivider -- An individual, firm, corporation, or other legal entity that owns any interest in land and that directly or indirectly subdivides land into lots as a part of a common promotional plan in the ordinary course of business. (Local Government Code Chapter 232, Section 232.021 Definitions)

Subdivision -- An area of land that has been subdivided into lots for sale or lease. (Local Government Code Chapter 232, Section 232.021 Definitions)

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

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

Texas Natural Resource Conservation Commission (TNRCC) -- State regulatory agency having jurisdiction of water and sewer service utilities and appellate jurisdiction over the rates and fees charged by Non-Profit Water and Sewer Service Corporations.

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

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

SECTION D.
GEOGRAPHIC AREA SERVED

CERTIFICATE OF CONVENIENCE AND NECESSITY

To Provide Water Service Under V.T.C.A., Water Code
and Texas Natural Resource Conservation Commission Substantive Rules

Certificate No. 10089

I. Certificate Holder:

Name: Bethesda Water Supply Corporation

Address: 509 S Burleson Blvd
Burleson, Texas 76028

II. General Description and Location of Service Area:

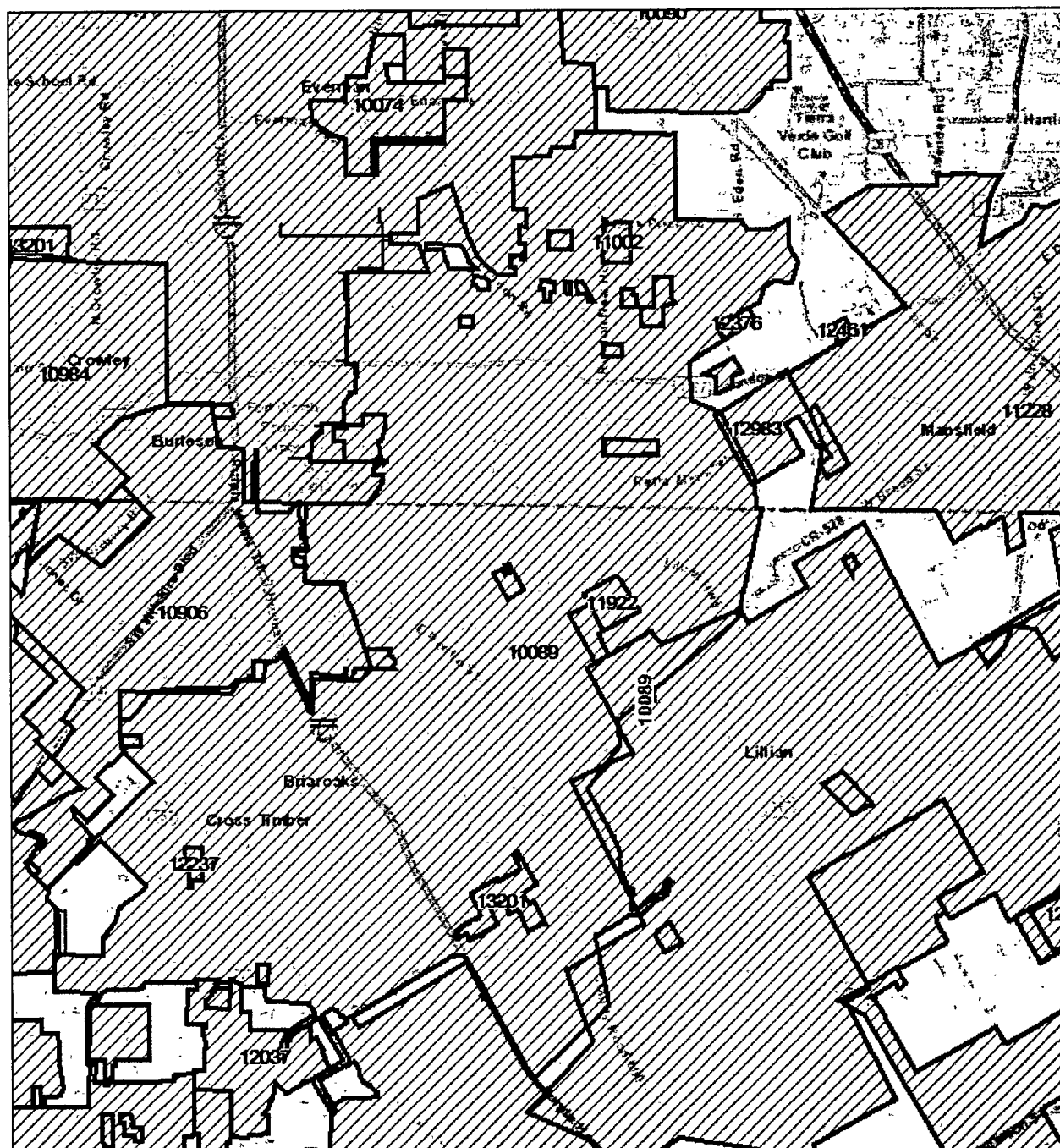
Bethesda Water Supply Corporation service area consists of portions of southern Tarrant County and northern Johnson County. Bethesda Water Supply Corporation is located east of communities of Joshua, Crowley, and Burleson, west of Everman and Kennedale, and north of Keene and Alvarado.

III. Certificate Maps:

The certificate holder is authorized to provide water service in the area identified on the Commission's official service area map maintained in the offices of the Texas Natural Resource Conservation Commission, 12015 Park 35 Circle, Austin, Texas with all attendant privileges and obligations.

This certificate is subject to the rules and orders of the Commission, the laws of the State of Texas, conditions contained herein and may be revoked for violations thereof. The certificate is valid until amended or revoked by the Commission.

CCN 10089



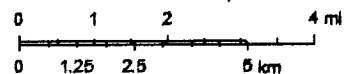
April 21, 2017

—— Water CCN Facility Lines

 Water CCN Service Areas

TxDOT Counties

1:144,448



Sources: Esri, HERE, DeLorme, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Swisstopo, Esri Korea, Esri (Thailand), Swisstopo, IGN, NGA, © OpenStreetMap contributors, and the GIS User Community

SECTION E.

SERVICE RULES AND REGULATIONS

Service Entitlement. The Applicant(s) shall be considered qualified and entitled to water and or sewer utility 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. (30 TAC 291.85 (a)) Existing water or sewer customer of other retail public utilities merged with or otherwise incorporated into the Corporation's certificated service area shall be required to execute all service application, easements and other customer service documents required of new service applicants as a condition of continued utility service from the Corporation. Such transferred customer shall be given a reasonable time of not less than thirty (30) days to execute such documentation and deliver it to the Corporation's business office before enforcement action may be taken.

Service Location and Classification. For the purposes of this Tariff, service requested by the Applicant(s) shall be for real estate designated to receive the service provided by the Corporation. Service shall be through a meter or sewer tap located on that designated real estate unless otherwise approved by the board. Service shall be divided into the following two classes:

- a. **Standard Service** is defined as service on an existing pipeline where pipeline or service facility extensions are not required and special design and/or engineering considerations are not necessary. Typically, this would include 5/8" X 3/4" sized water meter services set on existing pipelines or 4" gravity sewer taps, pressure collection facilities installed or connected to collection lines no more than five feet in depth.
- b. **Non-Standard Service** is defined as any service request which requires a larger meter service, service to a Master Metered Account (see E. 2. c. (4) of this section), or an addition to the supply, storage and/or distribution/collection system. The service requirements as prescribed by Section F of this Tariff shall be required of the Non-Standard Service Applicant prior to providing service.
- c. **Requirements for Mandatory Sewer Connection.** – Effective February 15, 2005, the installation of any private on-site wastewater treatment or holding facility on property within the Corporation's certificated service area which is less than 300 feet (measured from boundary line of the property to the nearest point of the Corporation's wastewater collection system along a public-right-of-way or utility easement) is prohibited and service to any such property will be provided by the Corporation. (Note: This does not apply to any person who has installed an on-site wastewater holding or treatment facility if that on-site facility was installed prior to construction and operation of the Corporation's wastewater collection system within 300 feet of the property or prior to the effective date stated herein.) Any costs for connection to the Corporation's wastewater collection system in excess of the standard costs required under Section G must be paid for by the wastewater service applicant. The Corporation must review and approve plans and specifications for any connection prior to construction (Texas Water Code 49.234).
- d. **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(s). Where applicable in addition to the applicant any other person sharing an ownership interest in and receiving service at that property shall sign the Service Application and Agreement Form (Typically this would be the applicant's spouse). (See Sample Application RUS-TX Bulletin 1780-9 (Rev. 5/99))
 - 2) A Right-of-Way Easement Form, Sanitary Control Easement, or other such

easement form, required by the Corporation, must be completed by the Applicant for the purpose of allowing future facility additions. (See Sample Application - RUS-TX Bulletin 1780-9 (Rev. 5/99), 30 TAC 290.47 Appendix C.) **NOTE:** This requirement may be delayed for Non-Standard Service requests.

- 3) The Applicant shall provide proof of ownership to property for which service has been requested in a manner acceptable to the Corporation. Proof of ownership shall consist of warranty deed or other recordable documentation of fee simple title to the real estate designated to receive service. (Texas Water Code 67.016 (e), and 13.002 (11).
- 4) Existing water or sewer customer of other retail public utilities merged with or otherwise incorporated into the Corporation's certificated service area shall be required to execute all service application, easements and other customer service documents required of new service applicants as a condition of continued utility service from the Corporation shall be required to provide the Corporation with the documents required in § E(2)(D)(1)-(3) as a condition of continuing utility service from the Corporation.

Activation of Standard Service.

- a. **New Tap** -- The Corporation shall charge a non-refundable service installation fee as required under Section G of this tariff. The service installation fee shall be quoted in writing to the Applicant. All fees shall be paid or a deferred payment contract signed in advance of installation. (30 TAC 291.86 (a)(1)(A))
- b. **Re-Service** -- On property where service previously existed, the Corporation shall charge the Membership Fee (where the Membership Fee has been liquidated or refunded), reconnection costs, and other applicable costs necessary to restore service.
- c. **Performance of Work** -- All tap and equipment installations specified by the Corporation shall be completed by the Corporation staff or designated representative after all application requirements have been met. The tap for a standard service request shall be completed within ten (10) working days whenever practicable. This time may be extended for installation of equipment for Non-Standard Service Request. (see Section F)
- d. **Inspection of Customer Service Facilities** -- The property of the Applicant/ Member shall be inspected to insure compliance with state required Minimum Acceptable Operating Practices For Public Drinking Water Systems as promulgated by the Texas Commission on Environmental Quality or successor agency. The customer must, at his or her expense, properly install, inspect, test, maintain and provide all required documentation of any approved backflow prevention device required by the Corporation. (30 TAC 290.46(j); Service Agreement Form)

4. Activation of Non-Standard Service.

- a. **Activation of Non-Standard Service** shall be conducted as prescribed by terms of Section F of this Tariff.
- b. **Re-Service** - The same terms which apply under the Activation of Standard Service Sub-Section on Re-Servicing shall be applied to Non-Standard Re-Service requests. (Section E. 5. b)

5. **Changes in Service Classification.** If at any time the Corporation determines that the customer service needs changed from those originally applied for to a different service classification and the Corporation determines that additional or different facilities are necessary to provide adequate service, the Corporation shall require the Applicant/Member to re-apply for service under the terms and conditions of this Tariff. Applicant/Members failing to comply with this provision shall be

subject to the Disconnection with Notice Provisions of this Tariff, Sub-Section 16.a.

6. **Membership.**

- a. **Eligibility** - Eligibility for Membership shall not guarantee service to the Applicant or Transferee; however, qualification for service is a prerequisite to Membership eligibility for new Applicants or continued Membership for Transferees.
- b. **Membership** - Upon qualification for service, qualification for Membership, and payment of the required fees, the Corporation shall certify the Applicant as a Member. The Membership shall entitle the Member to one (1) connection to the Corporation's water/sewer utility service and one (1) share of Corporation Stock. The Membership entitles the Member to one (1) vote in the election of directors and in such other matters requiring the approval of the Corporation's Members at any Annual or Special Membership Meeting of the Corporation as prescribed by the Corporation Bylaws. Ownership of more than one (1) Membership shall not authorize the Member to cast more than one (1) vote at any annual or special meeting. Each Membership and Stock thereby represented may be assigned to the specified parcel of land originally designated to receive service at the time of application. (Texas Water Code 67.016) **NOTE (1):** In the event the applicant is in the process of construction the Membership will be considered TEMPORARY until such time as the final Customer Service Inspection is completed and the forms are returned as required. (See Section C., Section E. Sub-Section 1. Service Entitlement)
- c. **Transfers of Membership.** (Texas Water Code 67.016)
 - 1) Existing water or sewer customer of other retail public utilities merged with or otherwise incorporated into the Corporation's certificated service area shall not be considered "transferees" for purposes of this tariff section and Texas Water Code 67.016. A Member is entitled to transfer Membership in the Corporation only under the following circumstances:
 - (a) The Membership is transferred by will to a person related to the Transferor within the second degree by consanguinity; or
 - (b) The Membership is transferred without compensation to a person related to the Transferor within the second degree by consanguinity; or
 - (c) The Membership is transferred without compensation or by sale to the Corporation; or
 - (d) The Membership is transferred as a part of the conveyance of real estate from which the Membership arose.
 - 2) In the event that Membership is transferred pursuant to the provisions of Sub-Section 8.c. (1) such transfer shall not be completed or recorded on the books and records of the Corporation until such time as the transferor has provided satisfactory evidence to the Corporation of such transfer. A transfer of Membership shall not be binding on the Corporation until such transfer has been approved as provided by Sub-Section 6.c. (3).
 - 3) Qualifications for service upon transfer of Membership set forth in Sub-Section 6.c.(1) and 6.c.(2) shall be subject to approval of the Corporation and shall be recorded on the books and records of the Corporation only upon the following terms and conditions:
 - (a) A Transfer Authorization Form has been completed by the Transferor and Transferee;
 - (b) The Transferee has completed the required Application Packet;
 - (c) All indebtedness due the Corporation has been paid; and
 - (d) The Transferee demonstrates satisfactory evidence of ownership of the property designated to receive service and from which the Membership originally arose.
 - 4). If the application packet and other information is not completed on the day transfer of membership is requested the corporation will give the transferee written notice of 10 additional days to produce completed documentation to the corporation office. Service will be disconnected on the day following the 10th day according to disconnection with notice requirements. Additional time may be allowed at the directions of the manager or board.

- d. **Cancellation of Membership** -- To keep a Membership in good standing, a Service Availability Charge or a Reserved Service Charge must be paid monthly to the Corporation, whether or not water is used. Failure to pay this monthly charge to the Corporation shall jeopardize the Member's Membership standing and give rise to liquidation of the Membership Fee and forfeiture of the Membership. A Member may be relieved of this obligation to pay by surrendering the Membership, properly documented, 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 prior to termination of service. Rights to future service at this tap shall be extended on an as-available basis and subject to the terms of the Activation of Service Sub-Section E.5.a. of this Tariff. (Texas Water Code 67.016)
- e. **Liquidation Due To Delinquency** -- When the amount of the delinquent charges owed by the Member equals the Membership Fee, the Membership Fee shall be liquidated and the Membership canceled and transferred back to the Corporation. In the event the Member leaves a balance due on an account guaranteed under the terms of a Service Application and Agreement, and the delinquent Member owns more than one Membership, the Corporation may liquidate as many of the Member Guarantor's Membership Fees as necessary to satisfy the balance due the Corporation, provided proper notice has been given (see Tariff Section E, Subsection 16.a. (4)). The Corporation shall collect any remaining account balances by initiation of legal action. Re-instatement of service shall be subject to the terms of the Activation of Service Sub-Section E. 5. 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. (Texas Water Code 67.016)
- g. **Re-assignment of Canceled Membership** -- The Corporation, upon cancellation of Membership under the provisions of this Tariff, may re-assign the Membership rights thereby granted to any person who satisfactorily demonstrates eligibility for Membership, including but not limited to proof of ownership of the property from which the Membership arose. (Texas Water Code 67.016)
- h. **Mortgaging of Memberships** -- Nothing herein shall preclude a Member from mortgaging his/her Membership. However, notification to the holder of any security interest (mortgagee/lien-holder) of account status of Member/mortgagor will be provided only upon satisfactory completion of requirements for such conditions under the Membership Mortgage Agreement (See Miscellaneous Transaction Forms). Prior to the cancellation of any Membership as provided under Sub-Section E: 8. (Cancellation of Membership), the Corporation will notify the holder of any security interest in the Membership. The holder of the security interest also must hold a security interest in the real property at which water service is provided under the Membership. The Corporation may transfer the Membership to the holder of such security interest in lieu of cancellation, provided the holder of the security interest pays in full all delinquent and unpaid obligations and provided further that the holder of the security interest has secured title to the real property from which the Membership arose. The Corporation may withhold cancellation of a Membership pending the resolution of any foreclosure proceedings or similar legal proceedings by the holder of the security interest.
- i. **Cancellation and Re-Assignment of Membership as a Result of Bankruptcy Proceedings** -- Upon notice of the filing of a petition in bankruptcy, the Corporation may require the posting of a deposit or other form of security, acceptable to the Corporation, as a condition for continuing utility service. Unless special circumstances require otherwise, the amount of security shall equal the amount of charges for the month of greatest use during the preceding

12 months. The Corporation shall not require the payment of any security prior to the expiration of 20 days following the date on which the petition is filed. Failure to provide this security by the date specified by the Corporation may result in termination of service according to the Disconnection with Notice Provisions of Section E (16) (a) of this tariff, with a copy of the notice to the bankruptcy Trustee.

- 7. Owners and Renters.** Any Member, renting or leasing real estate property designated to receive service according to the terms of this tariff to other parties, is responsible for all charges due the Corporation. The Corporation may bill the renter or lessee for utility service (at Member Request) as a third party, but the Member is fully responsible for any and all unpaid bills left by the renter/lessee. The owner shall be required to sign an Alternate Billing Agreement. (See Miscellaneous Transaction Forms.) The Member shall take responsibility for any necessary deposits from the renter/lessee to ensure payment of a past due bill. The Corporation will notify the Member of the renter's past due payment status. Such notification will be subject to a service charge (see Section: Miscellaneous Transaction Forms).
- 8. Denial of Service.** The Corporation may deny service for the following reasons:
- Failure of the Applicant, Transferee or existing water or sewer customer of other retail public utilities merged with or otherwise incorporated into the Corporation's certificated service area to complete all required easements, forms and pay all required fees and charges;
 - Failure of the Applicant, Transferee or existing water or sewer customer of other retail public utilities merged with or otherwise incorporated into the Corporation's certificated service area to comply with rules, regulations, policies, and bylaws of the Corporation;
 - Existence of a hazardous condition at the Applicant's property which would jeopardize the welfare of the Members/Users of the Corporation upon connection;
 - Failure of Applicant, Transferee to or existing water or sewer customer of other retail public utilities merged with or otherwise incorporated into the Corporation's certificated service area to provide representatives or employees of the Corporation reasonable access to property, for which service has been requested;
 - Failure of Applicant, Transferee to or existing water or sewer customer of other retail public utilities merged with or otherwise incorporated into the Corporation's certificated service area to comply with all governmental rules and regulations of the Corporation's tariff on file with the state regulatory agency governing the service applied for by the Applicant;
 - Failure of Applicant, Transferee or existing water or sewer customer of other retail public utilities merged with or otherwise incorporated into the Corporation's certificated service area to provide proof of ownership, to the satisfaction of the Corporation, of property for which the tap has been requested, and/or
 - Applicant's service facilities are known to be inadequate or of such character that satisfactory service cannot be provided.
- 9. Applicant's or Transferee's Recourse.** In the event the Corporation refuses to serve an Applicant under the provisions of these rules, the Corporation must notify the Applicant, in writing, on the basis of its refusal.
- 10. Insufficient Grounds for Refusal of Service.** The following shall not constitute sufficient cause for the refusal of service to an Applicant:
- Delinquency in payment for service by a previous occupant of the premises to be served;
 - Failure to pay a bill to correct previous underbilling due to misapplication of rates more than six (6) months prior to the date of application;

- c. Violation of the Corporation's rules pertaining to operation of non-standard equipment or unauthorized attachments which interferes with the service of others, unless the customer has first been notified and been afforded reasonable opportunity to comply with said requirements;
- d. Failure to pay a bill of another customer as guarantor thereof unless the guarantee was made in writing to the Corporation as a condition precedent to service;
- e. Failure to pay the bill of another customer at the same address except where the change of customer identity is made to avoid or evade payment of a utility bill;
- f. Failure to comply with regulations or rules for anything other than the type of utility service specifically requested including failure to comply with septic tank regulations.

11. *Deferred Payment Agreement.* The Corporation 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 Miscellaneous Transaction Forms)

12. *Charge Distribution and Payment Application.*

- a. **The Service Availability Charge or the Reserved Service Charge** is for the billing period from the day after the due date to the due date of the following month. Charges shall be prorated for meter installations and service termination's falling during the billing period. Billings for this amount shall be mailed on or about 15 days prior to the due date of the month, preceding the month for which this charge is due. All services shall be subject to this charge whether or not the service is in use by the Member.
- b. **Gallonge Charge** shall be billed at the rate specified in Section G and billing shall be calculated in one hundred (100) gallon increments. Water charges are based on monthly meter readings and are calculated from reading date to reading date. Readings used in all billing calculations shall be taken by the member or 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 15 days prior to the due date on each bill of each month. All bills are considered the responsibility of each person signing the Service Application and Agreement Form. All bills shall be due and payable upon receipt and are past due beyond 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 on or before the past due date. Payments made by mail will be considered late if postmarked after the past due date. A 3 day grace period may then be allowed for delayed payments prior to mailing of final notices. Final notices shall be mailed allowing ten (10) additional days for payment prior to disconnection. The ten (10) additional days shall begin on the day the final notice is deposited with the U.S. Postal Service with sufficient postage. If the past due date for the regular or final billing is on a weekend or holiday, the past 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.

- Upon written request, any residential customer 60 years of age or older who occupies the entire premises of a dwelling receiving water utility service from the Corporation shall receive extension of the past due date, without penalty. The extension shall not exceed 10 days beyond the usual 15 day payment period for a total of no more than 25 days from the date the bill is issued. The request may specify extension of the late payment periods for current and subsequent billings. (Reference Utilities Code Section 182.001 - 182.005)

14. Rules for Disconnection of Service. The following describes the rules and conditions for disconnection of service. For the purposes of disconnecting sewer service under these policies, water service will be terminated in lieu of disconnecting sewer service. In instances of nonpayment of sewer service or other violations by a Member who is not a water customer, the Corporation has the option to disconnect the sewer tap or take other appropriate actions.

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** -- 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. (see Miscellaneous Transaction Forms) Any such instruments returned as insufficient or non-negotiable for any reason for any two billing periods within a 12-month period shall be considered evidence of bad credit risk by the Corporation. The Member/renter in violation shall be placed on a "cash-only" basis for a period of 12 months.
NOTE: "cash only," means certified check, money order, or cash.
- 2) Failure to pay a delinquent account for utility service, failure to timely provide a deposit or other security under Section E (20 (i)), or failure to comply with the terms of a deferred payment agreement (Miscellaneous Transaction Forms);
- 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 (including, where appropriate, Section H), Bylaws, or Special Contract provided that the Corporation has given notice of said failure to comply, and Member has failed to comply within a specified amount of time after notification.
- 5) Failure to provide access to the meter under the terms of this Tariff or to property at which water service is received when there is reason to believe that a hazardous condition or policy violation exists for which access is necessary to verify.
- 6) Misrepresentation by any Applicant or Transferee of any fact on any form, document, or other agreement required to be executed by the Corporation.
- 7) 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.
- 8) Failure to pay a delinquent account billed by the Corporation for sewer utility service provided by [Retail Public Utility] pursuant to the Corporation's Agreement with the [Retail Public Utility]. (See Miscellaneous Transaction Forms - Figure 1: 30 TAC 291.85 (e)(2) Appendix A "SEWER BILLING SERVICES FOR A RETAIL PUBLIC UTILITY PROVIDED BY A NON-PROFIT WATER SUPPLY CORPORATION")
- 9) Cancellation of membership by Member on an account that the Member holds for water/sewer service to the Member's renter/lessee, even if the renter/lessee has kept the account balance current under an Alternate Billing Agreement. (Note: The cancellation of membership must be in writing and signed by the Member. CORPORATION ASSUMES NO LIABILITY TO RENTER/LESSEE; MEMBER IS SOLELY RESPONSIBLE FOR COMPLIANCE WITH, AND LIABILITY UNDER ANY FEDERAL, STATE OR LOCAL LAW CREATING OR PROTECTING RIGHTS OF RENTERS/LESSEES.)
- 10) Failure of existing water or sewer customer of other retail public utilities merged with or otherwise incorporated into the Corporation's certificated service area to provide the

Corporation with executed copies of all standard application documents after a reasonable period of not less than thirty (30) days.

- 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 (Section E. 3. d., E. 24., 30 TAC 290.46 (j));
 - 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.
- NOTE:** Where reasonable, given the nature of the reason for disconnection, a written statement providing notice of disconnection and the reason therefore shall be posted at the place of common entry or upon the front door of each affected residential unit as soon as possible after service has been disconnected.
- c. **Disconnection Prohibited** -- Utility service may not be disconnected for any of the following reasons:
- 1) Failure of the Member to pay for merchandise or charges for non-utility service provided by the Corporation, unless an agreement exists between the Applicant and the Corporation whereby the Member guarantees payment of non-utility service as a condition of service;
 - 2) Failure of the Member to pay for a different type or class of utility service unless a fee for such service is included in the same bill;
 - 3) Failure of the Member to pay charges arising from an underbilling occurring due to any misapplication of rates more than six (6) months prior to the current billing;
 - 4) Failure of the Member to pay the account of another Member as guarantor thereof, unless the Corporation has in writing the guarantee as a condition precedent to service;
 - 5) Failure of the Member to pay charges arising from an underbilling due to any faulty metering, unless the meter has been tampered with or unless such underbilling charges are due under the Inoperative Meters subsection E. 19. of this tariff.
 - 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.
- 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 Commission on Environmental Quality.
- 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 (see Miscellaneous Transaction Forms).

- g. **Disconnection of Master-Metered Accounts and Non-Standard Sewer 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: (30 TAC SUBCHAPTER H. 291.126)
 - 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 five (5) days if payment is not rendered before that time.
 - 2) At least five (5) days after providing notice to the Member and at least five (5) days prior to disconnection, the Corporation shall post at notices, stating "Termination Notice" 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.
- h. **Disconnection of Temporary Service** -- When an applicant with a Temporary service fails to comply with the conditions stated in the Service Application and Agreement Form or other rules of this Tariff service may be terminated with notice.

- 15. **Billing Cycle Changes.** The Corporation reserves the right to change its billing cycles if the workload 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, misapplied 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. 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 in Section E. Sub-Section 8 (3).
- 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 8 (3).
- 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 except in cases involving the transfer of a Membership conditioned on payment of delinquent obligations by the Transferee, as provided under Sub-Section 6.h. The billing adjustment shall be made to the degree of the meter's inaccuracy as determined by the test. The Member shall complete a Meter Test Request Form prior to the test. (See Misc. Transaction Forms.)

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 service equipment, by-passing the same, or other instances of diversion, such as:

- a. removing a locking or shut-off device used by the Corporation to discontinue service,
- b. physically disorienting the meter,
- c. attaching objects to the meter to divert service or to by-pass,
- d. inserting objects into the meter, and
- e. 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 under the Texas Penal Code 28.03.

21. *Meter Relocation.* Relocation of services shall be allowed by the Corporation provided that:

- a. The relocation is limited to the existing property designated to receive service;
- b. A current easement for the proposed location has been granted to the Corporation;
- c. The Member pays the actual cost of relocation plus administrative fees, and
- d. Service capacity is available at proposed location.

22. *Prohibition of Multiple Connections To A Single Tap.* No more than one (1) residential, commercial, or industrial service connection is allowed per meter. The Corporation may consider allowing an apartment building or mobile home/RV park to apply as a "Master Metered Account" and have a single meter (This refers to Section E. 2. c. (4)). Any unauthorized submetering or diversion 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 as per the easement and service agreement. If access to the meter is hindered or denied 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 access could not be gained. If access is denied for three (3) consecutive months after proper notification to the Member, then service shall be discontinued and the meter removed with no further notice. (Section E. 3. d.)
- b. The Member shall be responsible for compliance with all utility, local, and state codes, requirements, and regulations concerning on-site service and plumbing facilities.
 - 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. (30

TAC 290.46)

- 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. Customer service pipelines shall be installed by the applicant. (30 TAC 290.46)
- 3) All pipe and fittings used by the customer to convey sewage from its source to the sewer line must be a minimum of D-3034, SDR-35 or equivalent, 4-inch diameter pipe. No DWV (drain waste and vent) pipe or fittings will be allowed. All joints must be watertight and pipe must be installed to recommended grade. All non-household sewer customers who have potential for dirt, grit, sand, grease, oil, or similar substances must install and maintain a trap ahead of their entrance to the Corporation's sewer collection piping. A double cleanout is required at the property line and recommended at the house. The Corporation may impose other site-specific requirements. All sewer and potable water service pipeline installations must be a minimum of nine feet apart and meet all applicable plumbing standards for crossings, etc.

Requirements for Traps:

(A) Discharges requiring a trap include but are not limited to:

- (i) grease or waste containing grease in amounts that will impede or stop the flow in the public sewers;
- (ii) oil, flammable wastes;
- (iii) sand, and other harmful ingredients.

(B) Any person responsible for discharges requiring a trap shall, at his own expense, and as required by the approving authority:

- (i) Provide equipment and facilities of a type and capacity approved by the approving authority;
- (ii) locate the trap in a manner that provides ready and easy accessibility for cleaning and inspection; and
- (iii) maintain the trap in effective operating condition.

(C) Approving Authority Review and Approval (By the Board of Directors or Agency):

- (i) If pretreatment or control is required, the approving authority shall review and approve design and installation of equipment and processes.
- (ii) The design and installation of equipment and processes must conform to all applicable statutes, codes, ordinances and other laws.
- (iii) Any person responsible for discharges requiring pretreatment, flow equalizing or other facilities shall provide and maintain the facilities in effective operating condition at his own expense.

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 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 meter or other service equipment. Therefore, all water usage registering upon and/or damages occurring to the metering equipment owned and maintained 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 have 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 valve shall meet AWWA standards (a ball valve is preferred). 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. (This cut-off valve may be installed as a part of the original meter installation by the Corporation.)

- f. The Corporation shall require meter readings provided by the Member be accurate. Estimating readings or averaging usage will not be allowed. The Corporation may reread meters to confirm readings provided by member. Readings recorded by Corporation personnel will be used in billing.

24. Enforcement of Water Conservation Practices. HB 1152 (78 Legislature Regular Session - 2003) empowered water supply corporations to enforce customer water conservation practices by assessing reasonable penalties in the utilities' tariffs. The Corporation's General Manager is empowered to assess the penalties provided in this tariff on customer/members who violate noticed conservation practices of the Corporation. The General Manager may take this action based upon his/her own observations or those of a Corporation director, employee, operator, contractor or other person designated by the General Manager to monitor water conservation practices and/or water rationing violations. The penalties may be appealed to the TCEQ in the same manner as provided for the appeal of new customer service costs under Texas Water Code §13.043(g). As a precondition to a TCEQ appeal of any penalty assessed by the Corporation's General Manager, the customer/member assessed the penalty must first exhaust their rights of appeal to the Corporation's Board of Directors.

25. Lawn and Landscape Irrigation Restrictions.

- (a) Except for hand watering and the use of soaker hoses, a person commits an offense if that person irrigates, waters, or causes or permits the irrigation or watering of any lawn or landscape located on premises owned, leased, or managed by that person between the hours of 10:00a.m. and 6:00p.m.
- (b) A person commits an offense if he knowingly or recklessly irrigates, waters, or causes or permits the irrigation or watering of a lawn or landscape located on premises owned, leased or managed by the person in a manner that causes:
 - (1) a substantial amount of water to fall upon impervious areas instead of a lawn or landscape, such that a constant stream of water overflows from the lawn or landscape onto a street or other drainage area; or
 - (2) an irrigation system or other lawn or landscape watering device to operate during any form of precipitation.
- (c) A person commits an offense if, on premises owned, leased, or managed by that person, a person operates a lawn or landscape irrigation system or device that:
 - (1) has any broken or missing sprinkler head; or
 - (2) has not been properly maintained in a manner that prevents the waste of water.
- (d) Affirmative Defenses

- (1) It shall be an affirmative defense of an offense in section 26 (a) that at the time such person irrigates, waters, or causes or permits the irrigation or watering of any lawn or landscape, such activity was for the purpose of:
- (a) establishing hydro mulch, grass sod, or grass seed;
 - (b) dust control of a sports field; or
 - (c) for the maintenance, repair, or testing of an irrigation system.
- (2) Such activity described in Subsection (d)(1) may be an affirmative defense only if the activity occurred for a period of thirty consecutive days or less. After the thirtieth consecutive day of such activity, a person who irrigates, waters, or causes or permits the irrigation or watering of any lawn or landscape in violation of this section shall be subject to penalties for violation of conservation practices (section G25).

26. Appeal of Water Conservation Penalties. Any penalty assessed by the Corporation's General Manager for violation of the Corporation's noticed customer water conservation practices must be appealed in writing received at the Corporation's business office before the close of business on the due date of the water service bill containing the penalty or the due date stated on the written notice to the customer/member assessing the penalty if not assessed on the monthly service bill. Any appeal, notice of which is not received by the close of business on the due date, shall be deemed to be waived for untimeliness. An untimely appeal may be considered only upon a majority vote of all Directors of the Corporation.

Amended June 2008.

SECTION F. DEVELOPER, SUBDIVISION AND 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 with covenants of current indebtedness. The Corporation is not required to extend retail utility service to an Applicant in a subdivision where the responsible party (Applicant/Developer) of the applicable property (subdivision) has failed to comply with the terms of this policy. Section 13.2502 of the Texas Water Code requires that notice be given herein or by publication or by alternative means to the Developers/Applicants.
2. ***Purpose.*** It is the purpose of this Section to define the process by which the specific terms and conditions for service to subdivisions are determined including the Developer's and the Corporation's respective costs.
3. ***Application of Rules.*** This Section is applicable to subdivisions, additions to subdivisions, developments, or whenever additional service facilities are required. For the purposes of this Tariff, Applications subject to this Section shall be defined as Non-Standard. This Section may be altered or suspended. The Corporation Management 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 governmental authorities exercising jurisdiction over lot sizes, sewage control, drainage, right-of-way, and other service facilities. Plans, specifications, and special requirements of such governmental 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 submits 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 incurred as a result of efforts by the Corporation to study service requirements of the Applicant shall be refunded to the Applicant and the Applicant shall pay any additional expenses.
 - d. If after the service investigation has been completed, the Corporation determines that the Applicant's service request is for property outside the area described in the Corporation's Certificate of 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;
 - 2). The service location is not in an area receiving similar service from another utility;

- 3). The service location is not within another utility's Certificate of Convenience and Necessity; and
 - 4). If the Corporation extends service under these conditions, the Applicant shall fully support any subsequent efforts by the Corporation to amend its Certificate of Convenience and Necessity to include the applicant's property within the service area.
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 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 the enforced extra territorial jurisdiction of a municipality.
 - b. The Corporation's Engineer's fees shall be paid out of the Non-Standard Service Investigation Fee, provided the actual costs of the Corporation's Engineer's services do not exceed the amount of the Non-Standard Service Investigation Fee allotted for engineering services. If the fee for the Corporation's Engineer's services exceed the allotted fee, the Applicant shall pay the balance of Corporation's 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 governmental 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 shall pay the expense of such upgrading in excess of 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. 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. Procedures by which the Applicant shall accept or deny a contractor's bid, thereby committing to continue or discontinue the project.
 - c. Equity Buy-In Fee (Front-end Capital Contributions) required by the Corporation in addition to the other costs required under this Section.
 - d. Monthly Reserved Service Charges as applicable to the service request.
 - e. 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. Terms by which the Applicant shall be reimbursed or compensated for fees duplicated in assessments for monthly rates and Equity Buy-In Fees.
 - g. 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. Terms by which the Applicant shall indemnify the Corporation from all third party claims or lawsuit in connection with the project contemplated.
 - i. 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. 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. Terms by which the Corporation shall review and approve the Service Contract pursuant to current rules, regulations, 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 make good faith efforts 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-way, or subject to the cost of installation under 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 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 roadwork pursuant to state, 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.
- 11 **Service within Subdivisions**-The Corporation's objective to provide service to any customer located within subdivision governed by this section is strictly limited to the nonstandard service specified by the Applicant. The purchasers of any lots who do not receive service because this service has not been specified or paid for by the Applicant shall have no recourse to the Corporation but may have recourse to the Applicant/Developer.

SECTION G.

RATES AND SERVICE FEES

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

1. ***Service Investigation Fee.*** The Corporation shall 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, appropriate 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;
 - (1) provide cost estimates of the project,
 - (2) to present detailed plans and specifications as per final plat,
 - (3) to advertise and accept bids for the project,
 - (4) to present a Non-Standard Service Contract to the Applicant, and
 - (5) 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 refundable Membership Fee must be paid before service shall be provided or reserved for the Applicant by the Corporation.
 - a. The Membership Fee for water service is \$100.00 for each service unit.
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 make good faith efforts 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. (See Section E. 2. c. (2), Section F. 7. a.)
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, customer service inspection, and administrative costs necessary to provide individual metered water 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, inspection, 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. ***Equity Buy-In Fee.*** In addition to the Membership Fee, each Applicant shall be required to achieve parity with existing Members by contributing 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 service unit 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 calculated annually after receipt of the system audit is as follows:

The following schedule applies to equity buy-in fees:

| Meter Size | Equivalency Factor | Equity Buy-In Fee |
|------------|--------------------|-------------------|
| 5/8" | 1.0 | \$1,000.00 |
| 3/4" | 1.5 | 1,500.00 |
| 1" | 2.5 | 2,500.00 |
| 1 1/2" | 5.0 | 5,000.00 |
| 2" | 8.0 | 8,000.00 |
| 3" | 16.0 | 16,000.00 |
| 4" | 25.0 | 25,000.00 |

Impact Fees to Schools and Political Subdivisions.

In the interest of natural resource conservation while providing a safe and reliable potable drinking water supply for the school-age children of the Corporation's service area, it shall be the policy of Bethesda Water Supply Corporation to waive otherwise applicable impact fees on service to new public schools located within the boundaries of CCN No. 10089. To qualify for this waiver, the school district must file a written waiver request at or before the time of service application, adopt and faithfully implement a Corporation-approved water conservation plan and agree to receive potable water service through a meter sized by the Corporation's General Manager or Consulting Engineer. Meter sizing will be made in consultation with the school district and its engineer(s) based on realistic anticipated service demands under TCEQ rules. If the school district insists on a larger water meter or fails to abide by the approved conservation plan, the waiver of impact fees may be denied or revoked. If revocation occurs, the waived impact fees may be charged up to five years after service has commenced. The school district may submit revised water conservation plans for Corporation approval as material change in circumstances dictate.

Non-public schools and political subdivisions of the State of Texas may request a waiver of impact fees under the same conditions. These waivers must be decided by the Corporation's Board of Directors on a case-by-case basis. The waivers will be granted only for good cause and in a manner that will equitably treat all similarly situated customers of the same class.

6. Monthly Charges.

a. Service Availability Charge

- (1) Water Service - The monthly charge for metered water service, which may or may not include 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 (see Miscellaneous) equivalent to the size indicated and is used as a base multiplier for the Service Availability Charge and allowable gallonage. Rates and equivalents are as follows:

| METER
SIZE | 5/8" X 3/4"
METER EQUIVALENTS | MONTHLY
RATE |
|---------------|----------------------------------|-----------------|
| 5/8" X 3/4" | 1.0 | \$18.50 |
| 3/4" | 1.5 | \$27.75 |
| 1" | 2.5 | \$46.25 |
| 1 1/2" | 5.0 | \$92.50 |
| 2" | 8.0 | \$148.00 |
| 3" CMPD. | 16.0 | \$296.00 |
| 4" CMPD. | 25.0 | \$462.50 |

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 fixed costs to service the Applicant's dedicated facilities on a per Service Unit basis. This charge reserves service to the Applicant's real estate designated to receive service. This fee is determined on a case by case basis but shall never exceed the Service Availability Charge for Metered Service on a per Service Unit basis.

c. **Gallonge Charge** - In addition to the Service Availability Charge, a gallonge charge shall be added at the following rates for usage during any one (1) billing period.

| | |
|---|-------------------------|
| (1) Water - \$ 4.00 per 1,000 gallons for | 0 – 10,000 gallons |
| 4.50 per 1,000 gallons for | 10,001 – 40,000 gallons |
| 5.00 per 1,000 gallons over | 40,000 gallons |

Sewer - \$14.38 minimum plus 3.77 per 1,000 gallons water usage with a maximum usage of 5,000 gallons.

(2)The Corporation shall, as required by Section 5.235, Water Code of the State of Texas, collect from each of its retail customers a regulatory assessment equal to one-half of one percent of the charge for retail water service. This charge shall be collected in addition to other charges for utility service. This fee is collected on all charges pertaining to Section G.6. Monthly Charges of this tariff.
(30 TAC 291.76 d.(3) (i))

7. **Regulatory Assessment Fee.** A state regulatory fee assessed to the Corporation by the TCEQ. It is .05% of the water charge. The fee is added to each water bill to members.

8. **Late Payment Fee.** Once per billing period, a penalty of \$1.00 or 5%, which ever is larger, 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.

9. **Read Penalty.** Members are penalized \$3.00 if they neglect to turn in a reading from their meter or if the reading is not received by the Corporation by the due date stated on the bill.

10. **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 \$2.00 per notification. (See Miscellaneous Transaction Forms.)
11. **Mortgagee/Guarantor Notification Fee.** The Corporation shall assess a fee of \$2.00 for each notification to a Membership lien-holder under agreement prior to Membership cancellation. (See Miscellaneous Transaction Forms.)
12. **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 shall be assessed a return check charge of \$25.00. (see Miscellaneous Transaction Forms)
13. **Reconnect Fee.** The Corporation shall charge a fee of \$25.00 during regular office hours and \$37.50 after hours 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. Re-service.
14. **Service Trip Fee.** The Corporation shall charge a trip fee of \$25.00, \$37.50 after hours, 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 collecting payment for services.
15. **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.
16. **Customer History Report Fee.** No fee shall be charged to provide a copy of the Members record of past water purchases in response to a Member's request for such a record.
17. **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 \$25.00 shall be imposed on the affected account.
18. **Transfer Fee.** An Applicant for service who is a Transferee shall complete all required application forms, etc., and pay a Transfer Fee of \$15.00.
19. **Membership Certificate Copy Fee.** No fee will be charged to provide a duplicate copy of the

Membership Certificate.

20. ***Non-Disclosure Fee.*** No fee shall be assessed any customer requesting in writing that personal information under the terms of this tariff not be disclosed to the public.
21. ***Information Disclosure Fee.*** All public information except that which has been individually requested as confidential shall be available to the public for a fee to be determined by the Corporation based on the level of service and costs to provide such information, but not to be inconsistent with the terms of the Texas Open Records Act: Chapter 552, Texas Government Code.
22. ***Customer Service Inspection Fee.*** A fee of \$35.00 will be assessed each Applicant before permanent continuous service is provided to new construction.
23. ***Backflow Assembly Testing Fee-*** The Corporation shall charge a fee of \$50.00 to test approved testable backflow assemblies up to 2" in size. This fee does not include repairs for devices that fail to pass or imply that backflow assemblies will be repaired by Corporation personnel.
24. ***Other Fees.*** All services outside the normal scope of utility operations that the Corporation may be compelled to provide at the request of a customer or Member shall be charged to the recipient based on the cost of providing such service.
25. ***Administrative Fee.*** To cover expense by Corporation for filing fees and labor for reinstating a canceled membership.
26. ***Penalties for Violation of Water Conservation Practices.*** HB 1152 (78 Legislature Regular Session - 2003) empowered water supply corporations to enforce customer water conservation practices by assessing reasonable penalties in the utilities' tariffs. Pursuant to the Act, the Corporation adopts the following penalties for violations of noticed water conservation practices and water rationing restrictions:

All penalties are based upon each noticed drought or water conservation-causing event. Each time all involuntary water use restrictions are lifted, a new cycle begins and each customer/member has a violation count of zero -0-.

For Violations of Outside Watering Usages:

| | | |
|---------------------|---|----------------|
| First offense | - | written notice |
| Second offence | - | \$25.00 |
| Third offence | - | \$50.00 |
| Subsequent offenses | - | \$75.00 |

DROUGHT CONTINGENCY
AND
EMERGENCY WATER DEMAND MANAGEMENT PLAN

1. INTRODUCTION

The goal of this plan is to cause a reduction in water use in response to drought or emergency conditions so that the water availability can be preserved. Since emergency conditions can occur rapidly, responses must also be enacted quickly. This plan has been prepared in advance considering conditions that will initiate and terminate the rationing program.

Bethesda Water Supply Corporation produces its own groundwater and purchases water from other neighboring retail public water utilities. A major supplier of surface water is the City of Fort Worth, which has its own comprehensive Drought Contingency and Emergency Water Management Plan (May 2008). Bethesda is obligated by contract to adopt and follow the Fort Worth plan; however, in some instances a surface water Drought Contingency and Emergency Water Management Plan is not appropriate to meet the conditions of a dual supply water utility such as Bethesda. To meet its obligations to the City of Fort Worth while retaining the flexibility to meet the needs of its own water system, Bethesda formally adopts both the Fort Worth Plan and the following Drought Contingency And Emergency Water Demand Management Plan. Wherever there is a conflict or ambiguity between the two plans, the stricter of the two in addressing the situation at issue shall be followed.

A Drought/Emergency Management Committee consisting of two Board Members and the System Manager will monitor usage patterns and public education efforts and will make recommendations to the Board on future conservation efforts, demand management procedures or any changes to this plan. The Committee will develop public awareness notices, bill stuffers, and other methods that will begin and continue as a constant type of reminder that water should be conserved at all times, not just during a drought or emergency. This Committee will also review and evaluate any needed amendments or major changes due to changes in the WSC service area population, distribution system or supply. This review and evaluation will be done on a regular basis of five years unless conditions necessitate more frequent amendments.

This Drought Contingency and Emergency Management Plan outlines the triggers for the drought management stages. These stages are:

- Dry Conditions
- Stage I: Mild Conditions
- Stage II: Moderate Conditions
- Stage III: Severe Conditions

These stages can be triggered by supply, distribution system, and/or Bethesda wholesale provider (the City of Fort Worth Water Department).

PUBLIC INVOLVEMENT

Provision for public input will be conducted using the following means:

- a) The WSC will provide notice of the proposed plan by providing public notice in local

- newspapers to request public input on the Plan.
- b) The WSC will provide a written copy of the Plan to anyone who requests it.
 - c) The WSC will hold a public meeting to introduce and promote the Drought Contingency Plan before May 1, 2005.

PUBLIC EDUCATION

The public will be educated about the Drought Contingency Plan using the following means:

- a) The Drought Contingency Plan will be available at Bethesda WSC's office.
- b) Bethesda will provide information through customer mail-outs.

4. COORDINATION WITH REGIONAL WATER PLANNING GROUP

The service area of Bethesda WSC is located within Region C and Brazos G Regional Water Planning Group (RWPG). A copy of this Plan has been provided to these RWPG's.

5. MAIN COMPONENTS OF THE PLAN

The WSC has set voluntary watering guidelines as outlined below. These guidelines become mandatory if stage I or any subsequent stage is initiated. The guidelines for the irrigation or watering of any lawn between the hours of 10:00 a.m. and 6:00 p.m. is prohibited year round except for hand watering and the use of soaker hoses.

- ◆Residential addresses ending in an even number (0, 2, 4, 6, and 8) may water on Wednesdays and Saturdays
- ◆Residential addressed ending in an odd number (1, 3, 5, 7, and 9) may water on Thursdays and Sundays.
- ◆All non-residential locations (apartment complexes, businesses, industries, parks, medians, etc.) may water on Tuesdays and Fridays.

6. TRIGGER CONDITIONS

The Drought Emergency Management Committee is responsible for monitoring water supply and demand conditions on a monthly basis (or more frequently if conditions warrant) and shall determine when conditions warrant initiation or termination of each stage of the plan, that is, when the specified triggers are reached. The Committee will monitor monthly operating reports, water supply or storage tank levels and/or rainfall as needed to determine when trigger conditions are reached. The triggering conditions take into consideration: the vulnerability of the water source under drought of record conditions; the production, treatment and distribution capacities of the system, and member usage based upon historical patterns.

7. DROUGHT AND EMERGENCY MANAGEMENT STAGES

Dry Conditions

Initiation:

This stage is currently implemented full-time on a voluntary basis.

Triggers:

- Not Applicable

Actions:

- WSC reduces landscape watering.
- WSC continues its ongoing education efforts
- WSC requests that residents voluntarily water twice per week per schedule. The WSC requires that there be no water between the hours of 10:00 a.m. and 6:00 p.m.

Goal:

This is a continuing stage.

Termination:

This stage remains continually in effect.

Stage I – Mild Conditions

Initiation: Stage I water allocation measures may be implemented when one or more of the following exist.

- Water consumption has reached 90 percent of the daily maximum supply for three (3) consecutive days.
- There is an extended period (at least eight (8) weeks) of low rainfall and daily use has risen 20 percent above the use for the same period during the previous year.
- Wholesale supplier drought Stage 1
City of Fort Worth action

Actions:

- WSC will further reduce landscape watering.
- WSC will increase public information effort on water conservation.
- WSC will mandate restricted watering on an organized schedule of twice per week. Watering will be prohibited between hours of 10a.m. and 6p.m.
- Prohibit hosing off paved areas, buildings or windows, with no allowance for runoff or other water wastes.
- Use of water to fill, refill or add any indoor or outdoor swimming pools, wading pool or "Jacuzzi" type pool is prohibited except on designated days between the hours of 12:00 a.m. to 10:00 a.m. and 6p.m. to 12:00 midnight
- Use of water from hydrants or flush valves shall be limited to maintaining public health, safety and welfare.
- New landscaping will be discouraged.
- All relevant state agencies will be notified.

Goal:

By the end of the first week after initiation, the WSC anticipates a 5% reduction in system demand.

Exceptions:

Residential

Foundations may be watered up to two hours on any day using a handheld hose, soaker hose or drip irrigation system placed within 24-inches of the foundation that does not produce a spray of water above the ground.

Newly installed shrubs (first year) and trees (two years) may be watered up to two hours on any day by handheld hose, drip irrigation, a soaker hose or tree bubbler. Tree watering is limited to an area not to exceed the drip line of a tree.

Establishing new turf is discouraged. If hydromulch, grass sod, or grass seed is installed for the purpose of establishing a new lawn, there are no watering restrictions for the first 30 days while it is being established. After that, the watering restrictions set forth in this stage apply. (This does not include overseeding with rye since turf already exists.)

All users are encouraged to reduce the frequency of draining and refilling swimming pools.

All users are encouraged to use native and adapted drought tolerant plants in landscaping.

Washing of any motor vehicle, motorbike, boat, trailer, airplane, or other vehicle shall be limited to the use of a hand-held bucket or a hand-held hose equipped with a positive-pressure shutoff nozzle for quick rinses. Vehicle washing may be done at any time on the premises of a commercial car wash or commercial service station. Companies with an automated on-site vehicle washing facility may wash its vehicles at anytime. Further, such washing may be exempt from these requirements 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 and perishables.

Commercial or Industrial

All actions listed above for all water users apply to commercial and industrial users.

Stock at commercial plant nurseries is exempt from Stage 1 water restrictions.

Hotels, restaurants and bars are encouraged to serve drinking water to patrons on an "on demand" basis.

Hotels are encouraged to implement laundry conservation measures by encouraging patrons to reuse linens and towels.

Termination:

Stage I of the Plan may end when all of the conditions listed as triggering events have ceased to exist for a period of three (3) consecutive days. Upon termination Dry Conditions Stage becomes operative.

Stage II – Moderate Conditions

Initiation:

Stage II water allocation measures may be implemented when one of the following conditions exist:

- Water consumption has reached 95 percent of the amount available for three (3) consecutive days.
- The water level in any of the water storage tanks cannot be replenished for three (3) consecutive days.

- Wholesale supplier drought Stage 2
City of Fort Worth action.

Actions:

- WSC will discontinue landscape watering except as needed to prevent foundation damage.
- WSC will increase public information efforts on the water supply.
- WSC will mandate and enforce watering restrictions of no more than once per week. Watering will be prohibited between the hours of 10a.m. and 6p.m.
- Water on paved areas (including runoff from garden watering) and hosing of pavements and buildings will be prohibited.
- New landscaping will be prohibited.
- Use of water from hydrants or flush valves will be limited to maintaining public health, safety and welfare.
- The WSC will notify relevant state agencies of the mandatory watering guidelines.
- Prohibit use of water for dust control, except as required to protect public health.
- Prohibit the operation of ornamental fountains or ponds that use potable water except where necessary to support aquatic life or where such fountains or ponds are equipped with a recirculation system.
- Prohibit filling of swimming pools with automatic valves.

Goal:

By the end of the first week after initiation of the plan, WSC anticipates a 10% reduction in system demand.

Exceptions:**Residential**

Foundations may be watered up to two hours on any day using a handheld hose, soaker hose or drip irrigation system placed within 24-inches of the foundation that does not produce a spray of water above the ground.

Newly installed shrubs (first year) and trees may be watered up to two hours on any day by handheld hose, drip irrigation, a soaker hose or tree bubbler. Tree watering is limited to an area not to exceed the drip line of a tree.

Watering for dust control on skinned areas of sport fields is not allowed.

Commercial and Industrial

All actions listed above for all water users apply to commercial and industrial users.

Use of water from fire hydrants for any purpose other than firefighting related activities or other activities necessary to maintain public health, safety and welfare requires a special permit issued by the General Manager. Fire hydrants use may be limited to only designated hydrants.

Termination:

Stage II of the Plan may end when all of the conditions listed as triggering events have ceased to exist

for a period of three (3) consecutive days. Upon termination Dry Conditions Stage becomes operative.

Stage III – Severe Conditions

Initiation:

Stage III water allocation measures may be implemented when one of the following conditions exist:

- Failure of a major component of the system or an event which reduces the minimum residual pressure in the system below 20 psi for a period of 24 hours or longer.
- Water consumption of 98 percent or more of the maximum available for three (3) consecutive days.
- Water consumption of 100 percent of the maximum available and the water storage levels in the system drop during one 24-hour period.
- Natural or man-made contamination of the water supply source(s).
- The declaration of a state of disaster due to drought condition in a county or counties served by the Corporation.
- Wholesale supplier drought Stage 3
City of Fort Worth action
- Other unforeseen events which could cause imminent health or safety risks to the public.

Actions:

- WSC will immediately alert the public using local media.
- WSC will discontinue landscape watering except as needed to prevent foundation damage. The daily watering restrictions will still be enforced for these exceptions.
- Landscape watering will be prohibited and no new landscaping may be established during this period. Foundation watering can be conducted by hand-held hose or watering cans.
- Water on paved areas (including runoff from garden watering) will be prohibited.
- Use of water to fill, refill or add any indoor or outdoor swimming pools, wading pool or "Jacuzzi" type pool is prohibited.
- All washing of vehicles is prohibited, except vehicles that need to be washed for health, sanitation or safety reasons. Any vehicle washing must occur at a commercial car wash.
- Use of water hydrants or flush valves will be limited to maintaining public health, safety and welfare.
- The WSC will notify relevant state agencies of the mandatory watering guidelines.

Goal:

The WSC will reduce system demand enough to address and rectify emergency situations as soon as possible.

Termination:

End of emergency situation.

INITIATION AND TERMINATION PROCEDURES

Once a trigger condition occurs, the Corporation, or its designated responsible representative, shall, based on recommendation from the Chairperson of the Drought/Emergency Management Committee, decide if the appropriate stage of rationing shall be initiated. The initiation may be delayed if there is a reasonable possibility the water system performance will not be compromised by the condition. If water allocation is to be instituted, written notice to the customers shall be given.

Written notice of the proposed water allocation measure shall be mailed or delivered to each affected customer upon the initiation of each stage. In addition, upon adoption of Stage II or Stage III, a notice will be placed in a local newspaper or announced on a local radio or television station. The customer notice shall contain the following information:

- a. The date water allocation shall begin,
- b. The expected duration,
- c. The stage (level) of water allocations to be employed,
- d. Penalty for violations of the water allocation program, and
- e. Affected area or areas.

When the trigger condition no longer exists then the responsible official may terminate the water allocations provided that such an action is based on sound judgment. Written notice of the end of allocations shall be given to customers.

PENALTIES FOR VIOLATIONS

For the first violation of a rationing provision a written warning shall be issued. The Corporation may install a flow restrictor in the customer's service line for the second violation. The cost of this shall be the actual cost to do the work and not exceed \$100.00.

For subsequent violations, the Corporation may terminate service for up to 7 days and charge for the service call to restore service. These provisions apply to all customers of the Corporation.

These provisions apply to all customers of the Corporation.

EXEMPTIONS OR WAIVERS

The Drought/Emergency Management Committee may, in writing, grant temporary variance for existing water uses otherwise prohibited under this Plan if it is determined that failure to grant such variance would cause an emergency condition adversely affecting the health or sanitation for the public or the person requesting such variance and if one or more of the following conditions are met:

- a. Compliance with this Plan cannot be technically accomplished during the duration of the water supply shortage or other condition for which the Plan is in effect.
- b. Alternative methods can be implemented which will achieve the same level of reduction in water use.

Persons requesting an exemption from the provisions of this Ordinance shall file a petition for variance with the Drought/Emergency Management Committee within 5 days after the Plan or a particular drought

response stage has been invoked or after a condition justifying the variance first occurs. All petitions for variances shall be reviewed by the Committee and shall include the following:

- Name and address of the petitioner(s).
- Purpose of water use.
- Specific provision(s) of the Plan from which the petitioner is requesting relief.
- Detailed statement as to how the specific provision of the Plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioner complies with this Plan.
- Description of the relief requested.
- Period of time for which the variance is sought.
- Alternative water use restrictions or other measures the petitioner is taking or proposes to take to meet the intent of this Plan and the compliance date.
- Other pertinent information, as requested by the Committee.

Variances granted by the Committee shall be subject to the following conditions, unless specifically waived or modified by the Committee or Board of Directors:

- Variances granted shall include a timetable for compliance.
- Variances granted shall expire when the water allocation is no longer in effect, unless the petitioner has failed to meet specified requirements. No variance allowed for a condition requiring water allocation will continue beyond the termination of water allocation under Section F. Any variance for a subsequent water allocation must be petitioned again. The fact that a variance has been granted in response to a petition will have no relevance to the Committee's decision on any subsequent petition.

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

IMPLEMENTATION

The Board establishes a Drought/Emergency Management Committee by Resolution, the chairperson of which will be the responsible representative to make Drought and Emergency Water Management actions. This Committee will review the procedures in this plan annually or more frequently. Modifications may be required to accommodate system growth, changes in water use demand, available water supply and/or other circumstances.

This Plan was adopted by the Board at a properly noticed meeting held on April 19, 2005.

Amended by the Board at a properly noticed meeting held on April 21, 2009

Exhibit A to City
Ordinance 18088-05-2008



City of Fort Worth
1000 Throckmorton St.
Fort Worth, Texas 76102
PWS #2200012

Drought Contingency & Emergency Water Management Plan

for Retail and Wholesale Water Customers

May 2008

Adopted:
May 13, 2008

Effective:
May 30, 2008

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1. INTRODUCTION AND OBJECTIVES

The purpose of this Drought Contingency and Emergency Water Management Plan (subsequently referred to as the Plan) is as follows:

- To conserve the available water supply in times of drought and emergency
- To maintain supplies for domestic water use, sanitation, and fire protection
- To protect and preserve public health, welfare, and safety
- To minimize the adverse impacts of water supply shortages
- To minimize the adverse impacts of emergency water supply conditions.

2. TEXAS COMMISSION ON ENVIRONMENTAL QUALITY RULES

TCEQ rule Title 30, Part 1, Chapter 288, Subchapter A, Rule 288.1 (4) defines a drought contingency plan as "a strategy or combination of strategies for temporary supply and demand management responses to temporary and potentially recurring water supply shortages and other water supply emergencies."

TCEQ rules governing development of and minimum requirements for drought contingency plans for municipal water suppliers and wholesale water suppliers are contained in Texas Administrative Code Title 30, Part 1, Chapter 288, Subchapter B, Rule 288.20 and Rule 288.22, respectively.

3. WATER SYSTEM PROFILE

The City purchases water from the Tarrant Regional Water District (TRWD). The supply sources are:

- West Fork of Trinity River: Lake Worth, Eagle Mountain Lake, and Lake Bridgeport; (A pipeline connecting Eagle Mountain Lake to the East Texas supply is under construction.)
- East Texas: Cedar Creek Reservoir, located approximately 75 miles southeast of Fort Worth; and Richland Chambers Reservoir, located approximately 75 miles southeast of Fort Worth; and
- Clear Fork of the Trinity River via Lake Benbrook. (A pipeline connects Lake Benbrook to the East Texas Supply.)

System capacity with regards to the defined triggers in Section 4.4 is the total reliable pumping capacity is found in Appendix A. Therefore, the system capacity baseline for triggers is the reliable delivery capacity of 460 million gallons per day (MGD). See Appendix A for more details of the yields of each of the treatment plants. This trigger number will be evaluated each year to take into consideration improvements that may have been added to the system.

Fort Worth has about 217, 000 retail service connections and 29 wholesale water customers. Wholesale customers are Benbrook Water & Sewer Authority, Bethesda Water Supply Corp., Burleson, Crowley, Dallas/Fort Worth International Airport, Dalworthington Gardens, Edgecliff Village, Everman, Forest Hill, Grand Prairie, Haltom City, Haslet, Hurst, Keller, Lake Worth, Northlake, North Richland Hills, Richland Hills, River Oaks, Roanoke, Saginaw, Sansom Park, Southlake, Trinity River Authority - Mosier Valley, Trophy Club Municipal Utility District, Westlake, Westover Hills, Westworth Village and White Settlement. Some of these customers have emergency contracts only and do not take from the Fort Worth system on a regular basis.

In accordance with Section 2.3 of the wholesale water contract, wholesale customers are required to institute and apply the same rationing, conservation measures or restrictions to the use of water by their customers for so long as any part of their total water supply is being furnished by Fort Worth.

Fort Worth maintains about 3,200 miles of distribution pipelines.

The water supply triggers defined in Section 4.4 were provided to Fort Worth by its water supplier, Tarrant Regional Water District. TRWD selected its triggers after hiring an outside consultant to evaluate where the triggers levels should be for the drought plan to achieve meaningful water savings.

4. DROUGHT CONTINGENCY/EMERGENCY WATER MANAGEMENT PLAN

4.1 Public Involvement

The public had several opportunities to provide input into the plan.

- A public meeting soliciting comments was held on Dec. 10, 2007. The meeting was advertised on the city Web site, on City Page in the Fort Worth Star-Telegram, through news releases to the news media and neighborhood associations, and in handouts at public events.
- The Fort Worth Water Department's Water Conservation Advisory Committee discussed the draft plan's provisions and provided feedback during its June 21, 2007 meeting and was provided a copy for review and comments prior to the public meeting on Dec. 10, 2007.
- The draft plan was posted on the City of Fort Worth Web site (www.fortworthgov.org/water) for four months prior to City Council adoption.
- Copies were available to anyone upon request.

4.2 Public Education

Fort Worth will inform and educate the public about the Drought Contingency/Emergency Water Management Plan by the following means:

- Preparing fact sheets describing the plan and making these available online and at various city sites, and at events where the water department may have a booth.
 - Posting a copy of the Plan on the city's Web site.
 - Notifying local organizations, schools, and civic groups that staff are available to make presentations on the plan.
- At any time that the Drought Contingency/Emergency Water Management Plan is activated or the stage changes, customers will notify local media of the issues, the current response stage, and the specific actions required of the public. The information will also be publicized on the city's Web site. Bill inserts will also be used as appropriate.

4.3 Initiation & Termination of Drought & Emergency Response Stages

The provisions of this Plan shall apply to all persons, customers, and property utilizing potable water provided by the City of Fort Worth. The terms "person" and "customer" as used in the Plan include individuals, corporations, partnerships, associations, and all other legal entities. The Plan does not apply to locations using treated wastewater effluent, private wells or possessing their own water rights in the Trinity River.

The Plan may be applied to the entire city or geographic portions of the city as necessary. If the Plan is applied only to a limited sector, the boundaries will be defined in terms of roadways, creeks and other easily distinguishable features, such as city limits.

Initiation of a Drought/ Emergency Water Management Stage

The City Manager or his/her official designee may order the implementation of a drought response or water emergency stage when one or more of the trigger conditions for that stage is met. The following actions will occur when a stage is initiated.

- The public will be notified through local media and the City of Fort Worth Web site, as described in Section 4.2.
- Fort Worth's wholesale customers and Tarrant Regional Water District will be notified by telephone and with a follow-up letter, e-mail, or fax that provides details of the reasons for initiation of the drought or water emergency stage.

The Fort Worth Water Department will notify the Executive Director of the TCEQ within 5 business days when mandatory provisions of the Plan are activated.

Stages imposed by TRWD action must be initiated by the City of Fort Worth.

For other trigger conditions, the City Manager or his/her official designee may decide not to order the implementation of a drought response or water emergency stage even though one or more of the trigger criteria for the stage are met. Factors which could influence such a decision include, but are not limited to, the time of the year, weather conditions, the anticipation of replenished water supplies, or the anticipation that additional facilities will become available to meet needs. The reason for this decision should be documented.

Termination of a Drought Stage

The City Manager or his/her official designee may order the termination of a drought response or water emergency stage when the conditions for termination are met or at their discretion. The following actions will be taken when a drought stage is terminated:

- The public will be notified through local media and the City of Fort Worth Web site as described in Section 4.2.
- Wholesale customers and TRWD will be notified by telephone with a follow-up letter, e-mail, or fax.
- If any mandatory provisions of the drought contingency/emergency water management plan that have been activated are terminated, customers will notify the Executive Director of the TCEQ within 5 business days.

The City Manager or his/her official designee may decide not to order the termination of a drought response stage or water emergency even though the conditions for termination of the stage are met. Factors which could influence such a decision include, but are not limited to, the time of the year, weather conditions, or the anticipation of potential changed conditions that warrant the continuation of the drought stage. The reason for this decision should be documented.

4.4 Drought and Emergency Response Stages

Stage 1 – Water Watch

Triggering Conditions

- Water demand reaches or exceeds 90% of reliable delivery capacity for three consecutive days. The delivery capacity could be citywide or in a specified portion of the system.
- Fort Worth's water treatment or distribution system becomes contaminated.
- Fort Worth's water demand for all or part of the delivery system approaches delivery capacity because delivery capacity is inadequate.
- Fort Worth's water supply system is unable to deliver water due to the failure or damage of major water system components.

- TRWD initiated Stage 1 – Water Watch for one or more of the following reasons:
 - Total raw water supply in TRWD western and eastern division reservoirs drops below 75% (25% depleted) of conservation storage.
 - Water demand for all or part of the TRWD delivery system exceeds delivery capacity because delivery capacity is inadequate.
 - Water demand is projected to approach the limit of TRWD's permitted supply.
 - TRWD's supply source becomes contaminated.
 - TRWD's water supply system is unable to deliver water due to the failure or damage of major water system components.
 - The TRWD General Manager, with the concurrence of the TRWD Board of Directors, finds that conditions warrant the declaration of a Stage 1 drought.

Terminating Conditions for Stage 1

Stage 1 may terminate when TRWD terminates its Stage 1 condition or when the circumstances that caused the initiation of Stage 1 no longer prevail.

Goal for Use Reduction for Stage 1

The goal for water use reduction under Stage 1, Water Watch, is five percent. If circumstances warrant or if required by TRWD, the City Manager or his/her official designee can set a goal for greater water use reduction.

Actions Available for Stage 1

The City Manager or his/her official designee may order the implementation of any of the actions listed below, as deemed necessary. The City Manager or his/her official designee must implement any action(s) required by the Tarrant Regional Water District.

All Water Users

- Initiate mandatory restrictions to prohibit non-essential water use as follows:
 - Prohibit hosing of paved areas, such as sidewalks, driveways, parking lots, tennis courts, patios, or other impervious surfaces, except to alleviate an immediate health or safety hazard.
 - Prohibit hosing of buildings or other structures for purposes other than fire protection or surface preparation prior to painting.
 - Prohibit using water in such a manner as to allow runoff or other waste, including:
 - failure to repair a controllable leak, including a broken sprinkler head, a leaking valve, leaking or broken pipes, or a leaking faucet;

- operating a permanently installed irrigation system with: (a) a broken head; (b) a head that is out of adjustment and the arc of the spray head is over a street or parking lot; or (c) a head that is misting because of high water pressure; or
- during irrigation, allowing water to (a) to run off a property and form a stream of water in a street for a distance of 50 feet or greater; or (b) to pond in a street or parking lot to a depth greater than one-quarter of an inch.
- Prohibit outdoor watering with sprinklers or irrigation systems between 10 a.m. and 6 p.m.
- Limit landscape watering with sprinklers or irrigation systems at each service address to a twice per week schedule as outlined below. This includes landscape watering of parks, golf courses, and sports fields. Wholesale customers may use a different watering schedule than the one below as long as it limits each service address to a twice per week schedule; however, use of the same schedule would simplify the messages passed to customers through the news media.
 - Residential addresses ending in an even number (0, 2, 4, 6, or 8) may water on Wednesdays and Saturdays.
 - Residential addresses ending in an odd number (1, 3, 5, 7 or 9) may water on Thursdays and Sundays.
 - All non-residential locations (apartment complexes, businesses, industries, parks, medians, etc.) may water on Tuesdays and Fridays.

Exceptions:

- Foundations may be watered up to two hours on any day using a handheld hose, soaker hose or drip irrigation system placed within 24-inches of the foundation that does not produce a spray of water above the ground.
- Newly installed shrubs (first year) and trees (two years) may be watered up to two hours on any day by handheld hose, drip irrigation, a soaker hose or tree bubbler. Tree watering is limited to an area not to exceed the drip line of a tree.
- Outdoor watering at service addresses with large multi-station irrigation systems may take place in accordance with a variance granted by the Water Director, if the Water Director determines that a property can not be completely irrigated with an average of three-quarters of an inch of water in a single day, and that the property should be divided into sections to be irrigated on different days.
- Establishing new turf is discouraged. If hydromulch, grass sod, or grass seed is installed for the purpose of establishing a new lawn, there are no watering restrictions for the first 30 days while it is being established. After that, the watering restrictions set forth in this stage apply. (This does not include over seeding with rye since turf already exists.)

- Golf courses may water greens and tee boxes without restrictions, however watering must be done before 10 a.m. and after 6 p.m. Fairways are restricted to twice per week watering as outlined above. Golf course rough is restricted to once per week watering.
- Skinned areas of sports fields may be watered as needed for dust control.
- Professional sports fields (playing fields within a stadium only – not surrounding landscaping) may be watered as needed to maintain league standards.
- All users are encouraged to reduce the frequency of draining and refilling swimming pools.
- All users are encouraged to use native and adapted drought tolerant plants in landscaping.
- Washing of any motor vehicle, motorbike, boat, trailer, airplane, or other vehicle shall be limited to the use of a hand-held bucket or a hand-held hose equipped with a positive-pressure shutoff nozzle for quick rinses. Vehicle washing may be done at any time on the premises of a commercial car wash or commercial service station. Companies with an automated on-site vehicle washing facility may wash its vehicles at anytime. Further, such washing may be exempt from these requirements 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 and perishables.

City and Local Governments

In addition to the actions listed above:

- Review conditions and problems that caused Stage 1. Take corrective action.
- Increase public education efforts on ways to reduce water use.
- Increase enforcement efforts.
- Intensify leak detection and repair efforts.
- Audit all city and local government irrigation systems to ensure proper condition, settings, and operation.
- Identify and encourage voluntary reduction measures by high-volume water users through water use audits.
- Reduce non-essential water use. As used herein, non-essential water uses are those that do not have any health or safety impact and are not needed to meet the core function of the agency.
- The Water Director or his/her designee will notify wholesale customers of actions being taken and require them to implement the same stage and measures. Such action is in accordance with Section 2.3 of the uniform wholesale water contract. Per the contract, wholesale customers are required to institute and apply the same rationing,

conservation measures or restrictions to the use of water by their customers for so long as any part of their total water supply is being furnished by Fort Worth.

Commercial or Industrial

- All actions listed above for all water users apply to commercial and industrial users.
- Stock at commercial plant nurseries is exempt from Stage 1 watering restrictions.
- Hotels, restaurants, and bars are encouraged to serve drinking water to patrons on an "on demand" basis.
- Hotels are encouraged to implement laundry conservation measures by encouraging patrons to reuse linens and towels.

Stage 2 – Water Warning

Triggering Conditions for Stage 2

- Water demand reaches or exceeds 95% of reliable delivery capacity for three consecutive days. The delivery capacity could be citywide or in a specified portion of the system.
- Contamination of the water supply source(s) or water supply system.
- Demand for all or part of the delivery system equals or exceeds delivery capacity because delivery capacity is inadequate.
- Water supply system is unable to deliver water due to the failure or damage of major water system components.
- TRWD initiated Stage 2 – Water Warning for one or more of the following reasons:
 - Total raw water supply in TRWD western and eastern division reservoirs drops below 60% (40% depleted) of conservation storage.
 - Water demand for all or part of the TRWD delivery system exceeds delivery capacity because delivery capacity is inadequate.
 - Water demand is projected to approach the limit of TRWD's permitted supply.
 - TRWD's supply source becomes contaminated.
 - TRWD's water supply system is unable to deliver water due to the failure or damage of major water system components.
 - The TRWD General Manager, with the concurrence of the TRWD Board of Directors, finds that conditions warrant the declaration of a Stage 2 drought.

Terminating Conditions for Stage 2

Stage 2 may terminate when TRWD terminates its Stage 2 condition or when the circumstances that caused the initiation of Stage 2 no longer prevail.

Goal for Use Reduction for Stage 2

The goal for water use reduction under Stage 2 – Water Warning is to decrease use by 10 percent. If circumstances warrant or if required by TRWD, the City Manager or his/her official designee can set a goal for greater water use reduction.

Actions Available for Stage 2

The City Manager or his/her official designee may order the implementation of any of the actions listed below, as deemed necessary. The City Manager or his/her official designee must implement any action(s) required by the Tarrant Regional Water District.

- Continue or initiate any actions available under Stage 1.

All Water Users

- Limit landscape watering with sprinklers or irrigation systems to a once per week schedule at each service address as determined by the Water Director. This includes landscape watering at parks, golf courses, and sports fields. Wholesale customers may use a different watering schedule than the one used for Fort Worth retail customers as long as it limits each service address to once per week schedule; however, use of the same schedule would simplify the messages passed to customers through the news media.

Exceptions:

- Foundations may be watered up to two hours on any day by handheld hose; or using a soaker hose or drip irrigation system placed within 24-inches of the foundation that does not produce a spray of water above the ground.
- Newly installed shrubs (first year) and trees may be watered up to two hours on any day by handheld hose, drip irrigation, or a soaker hose. Tree watering is limited to an area not to exceed the drip line of a tree.
- Outdoor watering at service addresses with large multi-station irrigation systems may take place in accordance with a variance granted by the director of utilities, if the director determines that a property can not be completely irrigated with an average of three-quarters of an inch of water in a single day, and that the property should be divided into sections to be irrigated on different days.

- Golf courses may water greens and tee boxes as needed to keep them alive, however watering must be done before 10 a.m. and after 6 p.m. Fairways are restricted to once per week watering as outlined above. Golf course rough cannot be watered.
- Watering for dust control on skinned areas of sport fields is not allowed.
- Professional sports fields (playing fields within a stadium only – not surrounding landscaping) may be watered as needed to maintain league standards.
- All users are encouraged to wait until the current drought or emergency situation has passed before establishing new landscaping and turf. If hydromulch, grass sod, or grass seed is installed for the purpose of establishing a new lawn, there are no watering restrictions for the first 30 days while it is being established. After that, the watering restrictions set forth in this stage apply. (This does not include over seeding with rye since turf already exists.)
- Prohibit use of water for dust control, except as required to protect public health.
- Prohibit the operation of ornamental fountains or ponds that use potable water except where necessary to support aquatic life or where such fountains or ponds are equipped with a recirculation system.
- Prohibit filling of swimming pools with automatic valves.

City and Local Governments

- Review conditions or problems that caused Stage 2. Take corrective action.
- Increase frequency of media releases on water supply conditions.
- Further accelerate public education efforts on ways to reduce water use.
- Eliminate non-essential water use. As used herein, non-essential water uses are those that do not have any health or safety impact and are not needed to meet the core function of the agency.
- Prohibit wet street sweeping.
- The Water Director or his/her designee will notify wholesale customers of actions being taken and require them to implement the same stage and measures. Such action is in accordance with Section 2.3 of the uniform wholesale water contract. Per the contract, wholesale customers are required to institute and apply the same rationing, conservation measures or restrictions to the use of water by their customers for so long as any part of their total water supply is being furnished by Fort Worth.

Commercial or Industrial

- All actions listed above for all water users apply to commercial and industrial users.

- Use of water from fire hydrants for any purpose other than firefighting related activities or other activities necessary to maintain public health, safety and welfare requires a special permit issued by the Water Director. Fire hydrant use may be limited to only designated hydrants.

Stage 3 – Emergency Water Use

Triggering Conditions for Stage 3

- Water demand has reaches or exceeds 98% of reliable delivery capacity for one day. The delivery capacity could be citywide or in a specified portion of the system.
- Contamination of the water supply source(s) or water supply system.
- Demand for all or part of the delivery system exceeds delivery capacity because delivery capacity is inadequate.
- Water supply system is unable to deliver water due to the failure or damage of major water system components.
- TRWD has initiated Stage 3 – Emergency Water Use, which may also be initiated by one or more of the following:
 - Total raw water supply in TRWD western and eastern division reservoirs drops below 45% (55% depleted) of conservation storage.
 - Water demand for all or part of the TRWD delivery system exceeds delivery capacity because delivery capacity is inadequate.
 - Water demand is projected to approach or exceed the limit of TRWD's permitted supply.
 - TRWD's supply source becomes contaminated.
 - TRWD's water supply system is unable to deliver water due to the failure or damage of major water system components.
 - The TRWD General Manager, with the concurrence of the TRWD Board of Directors, finds that conditions warrant the declaration of a Stage 3 drought.

Terminating Conditions for Stage 3

Stage 3 may terminate when TRWD terminates its Stage 3 condition or when the circumstances that caused the initiation of Stage 3 no longer prevail.

Goals for Use Reduction for Stage 3

The goal for water use reduction under Stage 3, Emergency Water Use, is to decrease use by 20 percent. If circumstances warrant or if required by TRWD, the City Manager or his/her official designee can set a goal for a greater water use reduction.

Actions Available for Stage 3

The City Manager or his/her official designee may order the implementation of any of the actions listed below, as deemed necessary. The City Manager or his/her official designee must implement any action(s) required by the Tarrant Regional Water District.

- Continue or initiate any actions available under Stages 1 and 2.

All Water Users

- Prohibit landscape watering, including at parks, golf courses, and sports fields.

Exceptions:

- Foundations may be watered up to two hours on any day by handheld hose; or using a soaker hose or drip irrigation system placed within 24-inches of the foundation that does not produce a spray of water above the ground.
- Trees may be watered up to two hours on any day by handheld hose, drip irrigation, or a soaker hose. Tree watering is limited to an area not to exceed the drip line of a tree.
- Golf course greens only may be watered by hand-held hose as needed to keep them alive, however watering must be done before 10 a.m. and after 6 p.m.
- Professional sports fields (playing fields with a stadium only – not surrounding landscaping) may be watered as needed to maintain league standards.
- Prohibit establishment of new landscaping.
- Vehicle washing restricted to commercial car wash, commercial service station or a private on-site vehicle washing facility and can only be done as necessary for health, sanitation, or safety reasons, including but not limited to the washing of garbage trucks and vehicles used to transport food and other perishables. All other vehicle washing is prohibited.
- Prohibit the operation of ornamental fountains or ponds that use potable water except where necessary to support aquatic life.
- Prohibit the draining, filling, or refilling of swimming pools, wading pools and Jacuzzi type pools. Existing private and public pools may add water to maintain pool levels; however they may not be refilled using automatic fill valves.

City and Local Governments

In addition to actions listed above:

- Continue or initiate any actions available under Stages 1 and 2.
- Review conditions or problems that caused Stage 3. Take corrective action.
- Implement viable alternative water supply strategies.
- Increase frequency of media releases explaining emergency situation.
- Reduce city and local government water use to maximum extent possible.
- Prohibit the permitting of new swimming pools, Jacuzzi type pools, spas, ornamental ponds and fountain construction. Pools already permitted and under construction may be completely filled with water.
- Institute a mandated reduction in deliveries to all wholesale customers. Such a reduction will be distributed as required by Texas Water Code §11.039.
- If TRWD has imposed a reduction in water available to customers, impose the same percent reduction on wholesale customers.
- The Water Director will notify wholesale customers of actions being taken and require them to implement the same stage and measures. Such action is in accordance with Section 2.3 of the uniform wholesale water contract. Per the contract, wholesale customers are required to institute and apply the same rationing, conservation measures or restrictions to the use of water by their customers for so long as any part of their total water supply is being furnished by Fort Worth.

Commercial or Industrial

- All actions listed above for all water users apply to commercial and industrial users.
- Hotels, restaurants, and bars required to serve drinking water to patrons on an "on demand" basis.
- Hotels are required to implement laundry conservation measures by encouraging patrons to reuse linens and towels.
- Stock at commercial plant nursery may be watered only with a hand-held hose, hand-held watering can, or drip irrigation system.
- Commercial and industrial water users required to reduce water use by a set percentage determined by the Water Director.
- Use of water from hydrants for any purpose other than firefighting related activities or other activities necessary to maintain public health, safety and welfare requires a special permit issued by the Water Director. Fire hydrant use may be limited to only designated hydrants.

4.5 Procedures for Granting Variances to the Plan

The Water Director or his/her official designee may grant temporary variances for existing water uses otherwise prohibited under this drought contingency plan if one or more of the following conditions are met:

- Failure to grant such a variance would cause an emergency condition adversely affecting health, sanitation, or fire safety for the public or the person requesting the variance.
- Compliance with this plan cannot be accomplished due to technical or other limitations.
- Alternative methods that achieve the same level of reduction in water use can be implemented.

Variances shall be granted or denied at the discretion of the Water Director or his/her official designee. All petitions for variances should be in writing and should include the following information:

- Name and address of the petitioner(s)
- Purpose of water use
- Specific provisions from which relief is requested
- Detailed statement of the adverse effect of the provision from which relief is requested
- Description of the relief requested
- Period of time for which the variance is sought
- Alternative measures that will be taken to reduce water use
- Other pertinent information.

4.6 Procedures for Enforcing Mandatory Water Use Measures

Mandatory water use restrictions may be imposed in Stages 1, 2, and 3. These mandatory water use restrictions will be enforced by warnings and penalties as follows:

- On the first violation, customers will be given a written warning that they have violated the mandatory water use restriction.
- On the second and subsequent violations, citations may be issued to customers, with minimum and maximum fines established by ordinance.
- After three violations have occurred, the utility may cut off water service to the customer.

Appendix B contains a copy of the City of Fort Worth City ordinance adopting this Plan and the enforcement actions and penalties.

4.7 Coordination with the Other Entities

Appendix C includes a copy of a letters sent to the chair of the Region C Water Planning Group, General Manager of TRWD and the Executive Director of TCEQ upon adoption of this Plan.

4.8 Review and Update of Drought Contingency Plan

As required by TCEQ rules, Fort Worth will review this drought contingency plan in 2009 and at least every five years thereafter. The plan will be updated as appropriate based on new or updated information.

Fort Worth Water Department
Drought Plan Matrix of Actions by Stage and Customer Type

All actions apply to the use of City of Fort Worth raw and potable water, and to potable water supplied by City of Fort Worth wholesale customers. Restrictions do not apply to locations which own their water rights or are using treated wastewater effluent or well water for irrigation.

| Use Reduction Goal: | | 5% | 10% | 20% |
|---------------------|------------------------------|--|--|--|
| Water User | Water Use or Action Category | Stage 1 – Water Watch | Stage 2 – Water Warning | Stage 3 – Water Emergency |
| All Water Users | Hosing/Washing | <ul style="list-style-type: none"> Prohibited: hosing of paved areas, such as sidewalks, driveways, parking lots, tennis courts, patios, or other impervious surfaces, except to alleviate an immediate health or safety hazard. Prohibited: hosing of buildings or other structures for purposes other than fire protection or surface preparation prior to painting. | <ul style="list-style-type: none"> Same as Stage 1. | <ul style="list-style-type: none"> Same as Stage 1. |
| | Runoff/Waste/Leaks | <ul style="list-style-type: none"> Prohibited: using water in such a manner as to allow runoff or other waste, including: <ul style="list-style-type: none"> (1) failure to repair a controllable leak, including a broken sprinkler head, a leaking valve, leaking or broken pipes, or a leaking faucet; (2) operating a permanently installed irrigation system with: (a) a broken head; (b) a head that is out of adjustment and the arc of the spray head is over a street or parking lot; or (c) a head that is misting because of high water pressure; or (3) during irrigation, allowing water to (a) to run off a property and form a stream of water in a street for a distance of 50 feet or greater; or (b) to pond in a street or parking lot to a depth greater than one-quarter of an inch. | <ul style="list-style-type: none"> Same as Stage 1. | <ul style="list-style-type: none"> Same as Stage 1. |

Fort Worth Water Department **Drought Plan Matrix of Actions by Stage and Customer Type**

| Water User | Water Use or Action Category | Stage 1 – Water Watch | Stage 2 – Water Warning | Stage 3 – Water Emergency |
|-----------------------------|---|--|---|---|
| All Water Users (continued) | Outdoor Watering | <ul style="list-style-type: none"> Prohibited: outdoor watering with sprinklers or irrigation systems between 10 a.m. and 6 p.m. Limited to twice per week: landscape watering with sprinklers or irrigation systems at each service address is limited to a twice per week schedule. This includes landscape watering of parks, golf courses, and sports fields. <ul style="list-style-type: none"> Residential addresses ending in an even number (0, 2, 4, 6, or 8) may water on Wednesdays and Saturdays. Residential addresses ending in an odd number (1, 3, 5, 7 or 9) may water on Thursdays and Sundays. All non-residential locations (apartment complexes, businesses, industries, parks, medians, etc.) may water on Tuesdays and Fridays. | <ul style="list-style-type: none"> Prohibited: outdoor watering with sprinklers or irrigation systems between 10 a.m. and 6 p.m. Restricted to once every seven days: outdoor watering with sprinklers or irrigation systems at each service address is limited to a once per week schedule as determined by the director of utilities Dust control not allowed on skinned areas of sports fields. | <ul style="list-style-type: none"> Prohibited: all outdoor watering Dust control not allowed on skinned areas of sports fields. |
| | Exceptions to Outdoor Watering Restrictions | <ul style="list-style-type: none"> Foundations: foundations may be watered up to two hours on any day by handheld hose; or using a soaker hose or drip system placed within 24 inches of the foundation that does not produce a spray of water above the ground. Selected Landscaping Plants: newly installed shrubs (first year) and trees (two years) may be watered up to two hours on any day by handheld hose, drip irrigation, a soaker hose or tree bubbler. Tree watering is limited to an area not to exceed the drip line of a tree. | <ul style="list-style-type: none"> Foundations: selected landscaping plants, large multi-station irrigation, and turf establishment rules: same as Stage 1. Golf course greens and tee boxes may be watered only as needed to keep them alive; however, watering must be done before 10 a.m. and after 6 p.m. Professional sports fields (playing fields with a stadium only – not surrounding landscaping) may be watered as needed to maintain league standards. | <ul style="list-style-type: none"> Foundations: foundations may be watered up to two hours on any day by handheld hose; or using a soaker hose or drip system placed within 24 inches of the foundation that does not produce a spray of water above the ground. Trees may be watered up to two hours on any day by handheld hose, drip irrigation, a soaker hose or tree bubbler. Tree watering is limited to an area not to exceed the drip line of a tree. |

**Fort Worth Water Department
Drought Plan Matrix of Actions by Stage and Customer Type**

| Water User | Water Use or Action Category | Stage 1 – Water Watch | Stage 2 – Water Warning | Stage 3 – Water Emergency |
|-----------------------------|---|---|-------------------------|--|
| All Water Users (continued) | Exceptions to Outdoor Watering Restrictions (continued) | <ul style="list-style-type: none"> ▪ <u>New Turf</u>: Establishing new turf is discouraged. If hydromulch, grass sod, or grass seed is installed for the purpose of establishing a new lawn, there are no watering restrictions for the first 30 days while it is being established. After that, the watering restrictions set forth in this stage apply. (This does not include over seeding with rye since turf already exists.) ▪ <u>Large Multi-station Irrigation</u>: outdoor watering may take place in accordance with a variance granted by the director, if the director determines that a property cannot be completely watered with an average of three-quarters of an inch of water in a single day, and that the property should be divided into sections to be watered on different days. ▪ Golf courses may water greens and tee boxes without restrictions; however, watering must be done before 10 a.m. and after 6 p.m. ▪ Fairways are restricted to twice per week watering as outlined above. Golf course rough is restricted to once per week watering. ▪ Skinned areas of sports fields may be watered as needed for dust control. ▪ Professional sports fields (playing fields with a stadium only – not surrounding landscaping) may be watered as needed to maintain league standards. | | <ul style="list-style-type: none"> ▪ Landscape watering prohibited; however golf course greens may be watered by hand before 10 a.m. and after 6 p.m. as needed to keep them alive. ▪ Professional sports fields (playing fields with a stadium only – not surrounding landscaping) may be watered as needed to maintain league standards. |
| | | | | |

Fort Worth Water Department **Drought Plan Matrix of Actions by Stage and Customer Type**

| Water User | Water Use or Action Category | Stage 1 – Water Watch | Stage 2 – Water Warning | Stage 3 – Water Emergency |
|-----------------------------|------------------------------|--|--|---|
| All Water Users (continued) | Landscaping | <ul style="list-style-type: none"> All users are encouraged to use native and drought tolerant plants in landscaping. | <ul style="list-style-type: none"> All users are encouraged to wait until the current drought or emergency situation has passed before installing and establishing new landscape plants and turf. | <ul style="list-style-type: none"> <u>Prohibited</u>: installing and establishing new landscape plants and turf. |
| | Vehicle Washing | <ul style="list-style-type: none"> Washing of any motor vehicle, motorcycle, boat, trailer, airplane, or other vehicle shall be limited to the use of a hand-held bucket or a hand-held hose equipped with a positive-pressure shutoff nozzle for quick rinses. Vehicle washing may be done at any time on the premises of a commercial car wash or commercial service station. Companies with an automated on-site vehicle washing facility may wash its vehicles at anytime. Washing may be exempt from these requirements 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 and perishables. | <ul style="list-style-type: none"> Same as Stage 1. | <ul style="list-style-type: none"> Vehicle washing restricted to commercial car wash, commercial service station or a private on-site vehicle washing facility and can only be done as necessary for health, sanitation, or safety reasons, including but not limited to the washing of garbage trucks and vehicles used to transport food and other perishables. All other vehicle washing is prohibited. |
| | Swimming Pools | <ul style="list-style-type: none"> All users are encouraged to reduce the frequency of draining and refilling swimming pools. | <ul style="list-style-type: none"> <u>Prohibited</u>: Swimming pools may not be filled with automatic fill valves. | <ul style="list-style-type: none"> <u>Prohibited</u>: the draining, filling, or refilling of swimming pools, wading pools and Jacuzzi type pools. Existing private and public pools may add water to maintain pool levels. Swimming pools may not be refilled with automatic fill valves. |
| | Dust Control | <ul style="list-style-type: none"> No restriction. | <ul style="list-style-type: none"> <u>Prohibited</u>: use of water for dust control, except as required to protect public health. | <ul style="list-style-type: none"> Same as Stage 2. |
| | Ornamental Fountains/Ponds | <ul style="list-style-type: none"> No restriction. | <ul style="list-style-type: none"> <u>Prohibited</u>: the operation of ornamental fountains or ponds that use potable water, except where necessary to support aquatic life. | <ul style="list-style-type: none"> <u>Prohibited</u>: the operation of ornamental fountains or ponds that use potable water except where necessary to support aquatic life. |

Fort Worth Water Department **Drought Plan Matrix of Actions by Stage and Customer Type**

| Water User | Water Use or Action Category | Stage 1 – Water Watch | Stage 2 – Water Warning
or where such fountains or ponds are equipped with a recirculation system. | Stage 3 – Water Emergency |
|---|------------------------------|---|---|---|
| All actions listed for All Users apply to City and Local Governments. | | | | |
| City and Local Governments | Administrative | <ul style="list-style-type: none"> Review conditions and problems that caused Stage 1 and take corrective action. Notify wholesale customers of actions being taken and request them to implement similar procedures. | <ul style="list-style-type: none"> Review conditions and problems that caused Stage 2 and take corrective action. Notify wholesale customers of actions being taken and request them to implement similar procedures. | <ul style="list-style-type: none"> Review conditions and problems that caused Stage 3 and take corrective action. Implement viable alternative water supply strategies. Reduce city and local government water use to maximum extent possible. Notify wholesale customers of actions being taken and request them to implement similar procedures Institute a mandated reduction in deliveries to all wholesale customers. Such a reduction will be distributed as required by Texas Water Code §11.039. If TRWD has imposed a reduction in water available to customers, impose the same percent reduction on wholesale customers. |
| | Public Education | <ul style="list-style-type: none"> Increase public education efforts on ways to reduce water use. | <ul style="list-style-type: none"> Increase frequency of media releases on water supply conditions. Further accelerate public education efforts on ways to reduce water use. | <ul style="list-style-type: none"> Increase frequency of media releases explaining emergency situation. Further accelerate public education efforts on ways to reduce water use. |
| | Enforcement | <ul style="list-style-type: none"> Increase enforcement efforts. | <ul style="list-style-type: none"> Same as Stage 1. | <ul style="list-style-type: none"> Same as Stage 1. |
| | Runoff/Waste/Leaks | <ul style="list-style-type: none"> Intensify leak detection and repair efforts. Audit all City and local government irrigation systems to ensure proper condition, settings, | <ul style="list-style-type: none"> Same as Stage 1. | <ul style="list-style-type: none"> Same as Stage 1. |
| | | | | |

Fort Worth Water Department Drought Plan Matrix of Actions by Stage and Customer Type

| Water User | Water Use or Action Category | Stage 1 – Water Watch | Stage 2 – Water Warning | Stage 3 – Water Emergency |
|--|--|---|--|--|
| City and Local Governments (continued) | High Volume Users | <ul style="list-style-type: none"> Identify and encourage voluntary reduction measures by high-volume water users through water use audits. | <ul style="list-style-type: none"> Same as Stage 1. | <ul style="list-style-type: none"> Same as Stage 1. |
| | Wet Street Sweeping | <ul style="list-style-type: none"> No restrictions. | <ul style="list-style-type: none"> Prohibited: wet street sweeping. | <ul style="list-style-type: none"> Same as Stage 2. |
| | Swimming Pool permitting | | | <ul style="list-style-type: none"> Prohibit the permitting of new swimming pools, Jacuzzi type pools, spas, ornamental ponds and fountain construction. Pools already permitted and under construction may be completely filled with water. |
| | Non-essential water use (those uses that do not have any health or safety impact, and are not needed to meet the core function of the agency). | <ul style="list-style-type: none"> Reduce non-essential water use. | <ul style="list-style-type: none"> Eliminate non-essential water use. | <ul style="list-style-type: none"> Same as Stage 2. |
| Commercial and Industrial users | All actions listed for All Users apply to Commercial and Industrial users. | | | |
| | Commercial Plant Nursery Stock | <ul style="list-style-type: none"> Stock at a commercial plant nursery is exempt from Stage 1 watering restrictions. | <ul style="list-style-type: none"> Same as Stage 1. | <ul style="list-style-type: none"> Stock at a commercial plant nursery may be watered only with a hand-held hose, hand-held watering can, or drip irrigation system. |
| | Hotels, Restaurants, and Bars | <ul style="list-style-type: none"> Hotels, restaurants, and bars are encouraged to serve drinking water to patrons on an "on demand" basis. Hotels are encouraged to implement laundry conservation measures by encouraging patrons to reuse linens and towels. | <ul style="list-style-type: none"> Same as Stage 1. | <ul style="list-style-type: none"> Hotels and restaurants are required to serve drinking water to patrons on an "on demand" basis. Hotels are required to implement laundry conservation measures by encouraging patrons to reuse linens and towels. |

Fort Worth Water Department Drought Plan Matrix of Actions by Stage and Customer Type

| Water User | Water Use or Action Category | Stage 1 – Water Watch | Stage 2 – Water Warning | Stage 3 – Water Emergency |
|---|---------------------------------|-----------------------|---|--|
| Commercial and Industrial users (continued) | Commercial and Industrial Users | | | <ul style="list-style-type: none"> Commercial and industrial users may be required to reduce water use by a set percentage. |
| | Contract (Hydrant) Meters | | <ul style="list-style-type: none"> Use of water from hydrants for any purpose other than firefighting related activities or other activities necessary to maintain public health, safety and welfare requires a special permit issued by the Water Director. Fire hydrant use may be limited to only designated hydrants (excluding firefighting). | <ul style="list-style-type: none"> Same as Stage 2 |