

RUSK RURAL
WATER SUPPLY CORPORATION
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

MURREY PASCHALL & CAPERTON, P.C.
Certified Public Accountants

RUSK RURAL WATER SUPPLY CORPORATION
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M Murrey Paschall & Caperton PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rusk Rural Water Supply Corporation
Rusk, Texas

OPINION

We have audited the accompanying financial statements of Rusk Rural Water Supply Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 and 2019, the related statement of activities and changes in net assets and the statement of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rusk Rural Water Supply Corporation as of December 31, 2020 and 2019, and the changes in its statement of activities and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rusk Rural Water Supply Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rusk Rural Water Supply Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a

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substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rusk Rural Water Supply Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rusk Rural Water Supply Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Murrey Paschall & Caperton, P.C.

Murrey Paschall & Caperton, P.C.

Forney, Texas

March 31, 2021

RUSK RURAL WATER SUPPLY CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS		
	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 310,836	\$ 210,140
Investments (NOTE 2)	685,445	673,371
Accounts Receivable (net)	57,480	54,887
Inventory	<u>26,253</u>	<u>16,792</u>
Total Current Assets	<u>1,080,014</u>	<u>955,190</u>
FIXED ASSETS: (NOTE 3)		
Property, Plant and Equipment	3,848,479	3,773,434
Less Accumulated Depreciation	<u>(2,461,514)</u>	<u>(2,350,532)</u>
Total Fixed Assets	<u>1,386,965</u>	<u>1,422,902</u>
TOTAL ASSETS:	<u>\$ 2,466,979</u>	<u>\$ 2,378,092</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accrued Expenses	\$ 7,308	\$ 210
Current Portion - USDA Note	<u>16,733</u>	<u>15,672</u>
Total Current Liabilities	<u>24,041</u>	<u>15,882</u>
LONG-TERM LIABILITIES:		
Membership Deposits	121,000	118,100
Notes Payable - USDA (NOTE 4)	<u>305,708</u>	<u>322,231</u>
Total Long-Term Liabilities	<u>426,708</u>	<u>440,331</u>
NET ASSETS		
Without Donor Restrictions	<u>2,016,230</u>	<u>1,921,879</u>
Total Net Assets	<u>2,016,230</u>	<u>1,921,879</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,466,979</u>	<u>\$ 2,378,092</u>

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

RUSK RURAL WATER SUPPLY CORPORATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUES:		
Water Sales	\$ 677,786	\$ 650,540
Penalties, Reconnects, and Installations	39,052	34,457
Miscellaneous Income	<u>3,946</u>	<u>3,786</u>
Total Revenue	<u>720,784</u>	<u>688,783</u>
EXPENSES:		
Program Operations		
Auto & Truck	12,564	15,376
Contract Labor	72	932
Depreciation	131,965	141,009
Dues & Fees	15,488	13,525
Lab Fees	4,138	3,772
Repairs & Maintenance	12,251	27,202
Payroll & Benefits	205,296	201,194
Supplies	62,707	76,480
Utilities	42,542	41,427
Office Administration		
Payroll & Benefits	83,956	85,110
Insurance	22,219	21,671
Legal & Professional	9,607	9,835
Supplies & Other	6,279	18,090
EMS	4,395	4,855
Miscellaneous	<u>28,948</u>	<u>35,070</u>
Total Operating Expenses	<u>642,427</u>	<u>695,548</u>
OTHER INCOME / (EXPENSE)		
Gain (Loss) on Disposal of Assets	17,023	6,438
Interest & Dividends	16,332	13,308
Interest (Expense)	<u>(17,361)</u>	<u>(18,172)</u>
Total Other	<u>15,994</u>	<u>1,574</u>
Net Income	94,351	(5,191)
Total Net Assets Beginning	<u>1,921,879</u>	<u>1,927,070</u>
Total Net Assets Ending	<u>\$ 2,016,230</u>	<u>\$ 1,921,879</u>

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

RUSK RURAL WATER SUPPLY CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 94,351	\$ (5,191)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	131,965	141,009
(Increase) Decrease in accounts receivable	(2,593)	3,380
(Increase) Decrease in inventory	(9,461)	6,556
Increase (Decrease) in current liabilities	7,098	(3,168)
Increase (Decrease) in member deposits	<u>2,900</u>	<u>1,000</u>
Net cash provided by operating activities	<u>224,260</u>	<u>143,586</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(114,770)	(77,658)
Insurance proceeds directly applied to new assets	<u>18,742</u>	<u>3,561</u>
Net cash provided (used) by investing activities	<u>(96,028)</u>	<u>(74,097)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes	(15,462)	(15,068)
Transfers from / (to) investments	-	40,000
(Gain) / Loss on investments	<u>(12,074)</u>	<u>12,396</u>
Net cash provided (used) by financing activities	<u>(27,536)</u>	<u>37,328</u>
INCREASE (DECREASE) IN CASH	100,696	106,817
Cash and cash equivalents at beginning of year	<u>210,140</u>	<u>103,323</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 310,836</u>	<u>\$ 210,140</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFO:		
Cash paid during the year for interest:	<u>\$ 17,361</u>	<u>\$ 18,172</u>

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

RUSK RURAL WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Rusk Rural Water Supply Corporation (the "Corporation") is a non-profit corporation formed for the purpose of furnishing water and related services to its residential and business members in the rural community of Rusk and the surrounding areas. The Texas Commission on Environmental Quality regulates Rusk Rural Water Supply Corporation, as it does all water supply corporations in the State of Texas.

Basis of Accounting

The financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles. The accrual basis of accounting recognizes revenue when it is earned, and expenditures in the accounting period in which the liability incurred, if measurable.

Revenue

Rusk Rural Water Supply Corporation receives a substantial portion of its revenue from its member's water consumption and related fees associated with providing water delivery services. Additional revenue sources include construction/extension contributions to the distribution system and investment income.

Cash and cash equivalents

For the purpose of the statement of cash flows, Rusk Rural Water Supply Corporation considers all unrestricted cash and all related highly liquid funds with initial maturities of three months or less to be cash equivalents.

Accounts Receivable

The corporation bills for water usage ascertained by meter readings at the end of the month but does not record the amount due in accounts receivable as noted by audit adjustment proposed and booked. The corporation uses the direct write-off method for uncollectible amounts. This is not GAAP but is a reasonable approximation due to the fact that an advance deposit usually larger than the bill is held and that a speedy disconnect of service follows non-payment. As such, a minimal allowance for doubtful accounts \$500 was considered necessary at December 31, 2020 and 2019.

Investments

Rusk Rural Water Supply Corporation's investments consist of certificates of deposit, with an original maturity in excess of three months. Each of these certificates are valued at their cost value at the financial statement date. Earnings, in the form of interest, are unrestricted. Rusk Rural Water Supply Corporation's certificate of deposit portfolio does not include any donor restricted certificates. These are held at multiple financial institutions and are fully covered by FDIC insurance.

RUSK RURAL WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
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Inventory

Inventories consist primarily of distribution system parts and are recorded at the lower of their cost or market value. These parts are not inventory as defined by generally accepted accounting principles, therefore audit procedures which are normally applied to inventory were performed at a basic level. Additionally, nearly all inventory is purchased on an 'as needed' basis for field repairs leaving the year end value consistent year over year. As of December 31, 2020 and 2019 inventory was \$26,253 and \$16,792, respectively.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, unless contributed, and then the asset is recorded at fair market value at the date of contribution. Depreciation is computed using primarily the straight-line method over estimated useful lives ranging from 5 to 40 years. Depreciation expense for the years ended December 31, 2020 and 2019 was \$131,965 and \$141,009. The Corporation considers the useful life and the cost of the asset in determining whether an asset should be capitalized. Typically, maintenance and repairs are charged to expense as incurred and major additions to property or betterments that would extend the useful life are capitalized.

Impairment of Long-lived Assets

The Corporation reviews potential impairments of long-lived assets when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value unlikely. An impairment loss is recognized if the sum of the expected, undiscounted future cash flows is less than the net book value of the asset. Generally, the amount of the impairment loss is measured as the excess of the net book value of the assets over the estimated fair value. As of December 31, 2020 and 2019, no impairment of long-lived assets is necessary.

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions
 - Net assets available for use in general operations and not subject to donor restrictions. The governing board has the option to internally designate funds, but no such designations have been made.
- Net Assets With Donor Restrictions
 - Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

RUSK RURAL WATER SUPPLY CORPORATION
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Historically, these net assets primarily consist of net assets without donor restrictions such as excess membership fees, surplus, and retained earnings of the Corporation. Surplus represents capital contributed by each new line member upon joining the Corporation in an effort to offset the cost of putting the water line and meter into service.

Membership Deposits

Membership fees are paid by new members to the Corporation on existing lines. These \$100 deposits are held until the customer leaves the system or forfeits the deposit. The balance of these deposits as of December 31, 2020 and 2019 was \$121,000 and \$118,100, respectively.

Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Rusk Rural Water Supply Corporation allocates all costs between program services, administrative, and fundraising by estimating the percentage of personnel time spent on each area as estimated by management. The estimates are reviewed periodically and the allocations revised, if necessary, to reflect changes in the activities of the Corporation.

Income Taxes

Rusk Rural Water Supply Corporation is exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code. Therefore, Rusk Rural Water Supply Corporation has not made provision for federal income taxes in the accompanying financial statements. Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

RUSK RURAL WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Fair Value of Financial Assets

The Corporation measures and discloses certain financial assets and liabilities at fair value. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

For disclosure purposes, assets and liabilities are classified in their entirety in the fair value hierarchy level based on the lowest level of input that is significant to the overall fair value measurement. The Corporation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

The Corporation uses the active market approach to measure fair value of financial assets or liabilities.

NOTE 2 – FAIR VALUE MEASUREMENTS

The following table summarizes financial assets the Corporation measures at fair value on a recurring basis:

Fair Value Measurements at December 31, 2020 Using				
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant		Total
		Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Certificates of Deposit	\$685,445	-	-	\$685,445

Fair Value Measurements at December 31, 2019 Using				
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant		Total
		Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Certificates of Deposit	\$673,371	-	-	\$673,371

RUSK RURAL WATER SUPPLY CORPORATION
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NOTE 3 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is summarized as follows:

	Balance <u>12/31/19</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/20</u>
Land	\$ 138,247	\$ -	\$ -	\$ 138,247
Water System	2,959,990	38,898	-	2,998,888
Autos	138,587	-	-	138,587
Major Repairs	306,279	25,898	-	332,177
Building	56,000	2,194	-	58,194
Equipment	174,331	47,780	(39,725)	182,386
Accum. Depr.	<u>(2,350,532)</u>	<u>(131,965)</u>	<u>20,983</u>	<u>(2,461,514)</u>
Total	\$ <u>1,422,902</u>	\$ <u>(17,195)</u>	\$ <u>(18,742)</u>	\$ <u>1,386,965</u>

Capital asset activity during the year included the purchase of a new excavator (to replace stolen excavator), 2 trailers (to replace stolen trailers), office security cameras, and major repairs at the Hwy 69 and water line at CR1522.

NOTE 4 – LONG-TERM DEBT

Note payable to USDA, original amount of \$550,600 on 8/4/1994 with a 40 year term and fixed interest rate of 5.25%. Monthly installments of \$2,770 and maturity on 8/4/2034.

	\$ 322,440
Less: Current Maturities	<u>(16,733)</u>
Total Long Term Debt	\$ <u>305,708</u>

The approximate maturities of long-term debt for years subsequent to December 31, 2020 are as follows:

December 31, 2021	\$ 16,733
December 31, 2022	17,633
December 31, 2023	18,581
December 31, 2024	19,580
December 31, 2025	20,634
Due after 2025	<u>229,279</u>
Total	\$ <u>322,440</u>

RUSK RURAL WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5 – CONCENTRATIONS OF RISK

Rusk Rural Water Supply Corporation maintains an interest bearing operating account. Interest bearing accounts are FDIC insured up to \$250,000. As of December 31, 2020 and 2019, the operating account did not exceed insured limits. At times during the year an account may exceed the insured limit. However, the corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

Rusk Rural Water Supply Corporation holds certificate of deposit investments with a federally insured institution. Steps are taken to ensure that each of these certificate of deposit purchases are with institutions covered by FDIC or other similar insuring organization and the total with each institution is at or under insured limits.

Rusk Rural Water Supply Corporation considers all aspects, including but not limited to the anticipated immediate financial need with respect to current projects when considering whether amounts in excess of federally insured limits are reasonable.

NOTE 6 – COMPENSATED ABSENCES

Benefits include, vacation, sick leave and health insurance coverage on a voluntary basis. After the six month probationary period, employees accrue vacation at one half day per month up to three years service and ten days thereafter, may be carried forward to the next year. No more than this amount may be accrued. An employee may request pay in lieu of accrued vacation. Any unused vacation is compensated for at the regular rate upon voluntary separation.

Sick leave is accrued at the rate of six days per year for the first three years and ten days per year thereafter. Unused sick leave may be carried forward to a maximum of thirty days. No compensation for sick leave is made on separation from service.

Due to the discretion of the employee to take or be paid for certain benefits, it is impractical to accrue an amount for the unused benefits and thus the organization doesn't accrue a liability for it. Also the number of eligible employees is so few, that any accrual would be immaterial to the financial statements taken as a whole.

The company also has health insurance available if the employee elects to be covered by it and a 401(k) plan is available. Employee contributions are matched up to 5%. During 2020 total IRA Expense was \$11,440 and was \$10,902 in 2019.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated its operations through March 31, 2021, the financial statement issuance date, to determine whether there are any significant subsequent events to merit inclusion in these financial statements.

RUSK RURAL WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 - FUNCTIONAL EXPENSE ALLOCATION

<u>December 31, 2020</u>	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Auto & Truck	\$ 12,564	\$ -	\$ 12,564
Contract Labor	72	-	72
Depreciation	131,965	-	131,965
Dues & Fees	15,488	-	15,488
Lab Fees	4,138	-	4,138
Repairs & Maintenance	12,251	-	12,251
Payroll & Benefits	205,296	83,956	289,252
Supplies	62,707	-	62,707
Utilities	42,542	-	42,542
Insurance	-	22,219	22,219
Legal & Professional	-	9,607	9,607
Supplies & Other	-	6,279	6,279
EMS	-	4,395	4,395
Miscellaneous	-	28,948	28,948
Total Operating Expenses	\$ 487,023	\$ 155,404	\$ 642,427
Percent Allocation	<u>76%</u>	<u>24%</u>	

<u>December 31, 2019</u>	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Auto & Truck	\$ 15,376	\$ -	\$ 15,376
Contract Labor	932	-	932
Depreciation	141,009	-	141,009
Dues & Fees	13,525	-	13,525
Lab Fees	3,772	-	3,772
Repairs & Maintenance	27,202	-	27,202
Payroll & Benefits	201,194	85,110	286,304
Supplies	76,480	-	76,480
Utilities	41,427	-	41,427
Insurance	-	21,671	21,671
Legal & Professional	-	9,835	9,835
Supplies & Other	-	18,090	18,090
EMS	-	4,855	4,855
Miscellaneous	-	35,070	35,070
Total Operating Expenses	\$ 520,917	\$ 174,631	\$ 695,548
Percent Allocation	<u>75%</u>	<u>25%</u>	

RUSK RURAL WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 – RESERVE FUND

The Corporation is required to comply with certain covenants prescribed by the loan resolutions relating to USDA Rural Development notes payable. Major covenants which the Corporation must comply with are as follows:

Reserve Fund: The Corporation will deposit into the Reserve Fund an amount equal to an annual installment on each loan. (\$2,770 monthly for 12 months equals annual \$33,240). The value of the reserve fund held in the Texas National Bank CD as of December 31, 2020 and 2019 was \$119,293 and \$116,931, respectively.

Maintenance Fund: The Corporation will maintain adequate funds to be used for the express purposes of making emergency repairs to existing facilities, for making extensions or improvements to the facilities.

NOTE 10 – LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of net position date, comprise the following:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash and cash equivalents	\$ 310,836	\$ 210,140
Investments	685,445	673,371
Accounts receivable	<u>57,480</u>	<u>54,887</u>
	<u>\$ 1,053,761</u>	<u>\$ 938,398</u>

As part of Rusk Rural Water Supply Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The policy is that monthly revenues are to cover monthly expenses. Monthly revenues and expenditures are deposited in and deducted from the operating accounts.

Any excess cash for the year is to be used for general capital purchases in the upcoming years. These funds are invested in savings and certificate of deposit accounts with short term maturities. The board has approved a list of financial institutions for which it may deposit funds. Limits were set at each of the financial institutions, so monies are transferred when needed to stay within the guidelines.

As previously noted, the Corporation is required to have a reserve fund equal to 12 months of payments per USDA requirements. (\$2,770 monthly for 12 months equals annual \$33,240). The value of the reserve fund held in the Texas National Bank CD as of December 31, 2020 and 2019 was \$119,293 and \$116,931, respectively.

Additionally, the corporation chooses to set aside funds to cover the amount of outstanding membership deposits. These \$100 deposits are held until the customer leaves the system or forfeits the deposit. The balance of these deposits as of December 31, 2020 and 2019 was \$121,000 and \$118,100, respectively. The value of the reserve fund held in the Cherokee County Teachers FCU CD as of December 31, 2020 and 2019 was \$138,693 and \$136,151, respectively.

TARIFF

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PREPARED AUGUST 12, 1988
Revised July. 5, 2016

IMPORTANT NOTICE

THE CONTENTS OF THIS MANUAL ARE THE PROPERTY OF RUSK RURAL WATER SUPPLY CORPORATION AND PATTERNED AFTER TEXAS RURAL WATER ASSOCIATION SAMPLE TARIFF (RRWSC IS A MEMBER OF SAME) AND REPRODUCTION FOR USE BY ANY PARTY OTHER THAN THE MEMBER FOR WHICH IT WAS PROVIDED IS PROHIBITED.

ACKNOWLEDGMENT AND DISCLAIMER

This Tariff was developed in August of 1988 by the Rusk Rural Water Supply Corporation Board of Directors and has important legal and regulatory consequences and may be impacted by the Corporation's Articles of Incorporation, By Laws, local needs and policies, as well as ever changing state and federal regulations.

Various references, tariffs, and individuals were consulted in the development of this manual. Board members are listed below:

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Rusk, Texas 75785

A tariff is a compilation of the corporation's rates, charges, and service rules. The tariff is not a compilation of office procedures, by-laws, or construction standards. The tariff defines the business relationship between the Corporation and its members. The tariff describes all rates and charges, the manner in which service, and other policies relating to the Corporation's business practices. Procedures in conducting such business are included only when such procedures define the terms of the policy.

The tariff was approved by the Board of Directors as a statement of policy. The tariff can be used to resolve complaints and arguments on rates, charges, and service. The tariff is protection for the consumer and the Corporation. It maintains consistency as boards change. In a dispute or argument, the tariff is the final word.

A tariff is a dynamic document. Don't put it on the shelf.

As times change, policies should change. Keep the tariff updated to address the current needs of our Corporation. Above all, seek competent professional advice on the adoption of all policies.

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RESOLVED BY THE BOARD OF DIRECTORS OF THE RUSK RURAL WATER
SUPPLY CORPORATION THAT:

- 1) This Tariff of Rusk Rural Water Supply Corporation, serving part of Cherokee County, consisting of Sections A through H inclusive, is hereby adopted and enacted as the current regulations which shall supersede all policies passed by the Board of Directors January 6, 2009, to the extent provided in paragraph 2 hereof.
- 2) No prior agreement executed by the Board of Directors is repealed by any provision contained herein, save and except as provided in the terms of that agreement.
- 3) The adoption of the provisions of this Tariff shall not affect any offense or act committed or done, or any penalty of forfeiture incurred, or any contract or vested right established or accruing before the effective date of this Tariff.
- 4) An official copy of this policy shall be available to the Membership of this Corporation during regular office hours of the Corporation. Requests for copies of this Tariff shall be subject to reproduction charges. The Secretary of the Corporation shall maintain the original copy as approved, and clearly exhibit all additions, deletions, and amendments separately.
- 5) This Tariff shall take effect immediately upon the approval as provided by law, and according to its terms. Rules and regulations of state and federal agencies having applicable jurisdiction, promulgated under any applicable State or Federal Law, shall supersede any terms of this policy. If any section, paragraph, clause, phrase, word or, words of this policy are declared unconstitutional or invalid for any purpose, the remainder of this policy shall not be affected thereby.

PASSED and APPROVED this 6st day of Jan., 2009.

Ernest Hudnall, President
Rusk Rural Water Supply Corporation

SEAL

Roy Wilkinson, Secretary/Treasurer
Rusk Rural Water Supply Corporation

SECTION B: STATEMENTS

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

- 3) **Non-Discrimination Policy.** Membership in the Corporation and service of water is provided to all Applicants who comply with the provisions of this Tariff regardless of race, creed, color, national origin, sex, or marital status.
- 4) **Rules Application.** The rules and regulations specified herein apply to the water services furnished by Rusk Rural Water Supply Corporation, also referred to as Corporation or Rusk Rural WSC. Failure on the part of the Member, Consumer, or applicant to observe these rules and regulations of the Corporation, after due notice of such failure, automatically gives the Corporation the authority to deny or to discontinue the furnishing of service as provided herein and as may be amended from time to time by the Board of Directors of the Corporation.
- 5) **Corporation Bylaws.** The Corporation has adopted bylaws which establish the make-up of the Board of Directors, establish the Membership voting rights, provide for annual and regular meetings, provide for reserve accounts, and establish the rights of the Members and other important regulations of the water system. These bylaws are included by reference herein, as amended from time to time, and are on file for inspection in the Corporation's office.
- 6) **Fire Protection Responsibility.** Fire hydrants installed within the Corporation's distribution system are provided at the convenience of the Corporation and do not imply any responsibility on the part of the Corporation to meet fire flow requirements of local, county, state, or federal governmental agencies. Fire hydrants paid for by individuals or groups of individuals and donated to the Corporation for county volunteer fire department use shall remain in place for such use as "refill only" of fire trucks. The Corporation reserves the right to remove any fire hydrant, due to improper use or detriment to the system as determined by the Corporation, at any time without notice, refund, or compensation to the contributors.
- 7) **Damage Liability.** The Rusk Rural WSC is not liable for damages caused by service interruptions, events beyond its control, and for normal system failures. The limit of liability of the Rusk Rural WSC is the extent of the cost of service provided. By acceptance of Membership, Member consents to waiver of such liability.
- 8) **Information Disclosure.** The records of the Corporation shall be kept in the Corporation office in Rusk, Texas. These records may, (except personal records) upon request, be examined by any Member of the Corporation. However, in compliance with HB859 a member may request confidentiality of personal records and information including phone #, address, payment records, social security #, or disclosure that such request has been made. The records may not be removed from the Corporation's office and the Corporation staff reserves the right to require reasonable notice of requests for information and the opportunity to consult its governing body and/or legal counsel prior to disclosure. A reasonable charge may be assessed anyone requesting copies of records.
- 9) **Customer Notice Provisions.** The Corporation shall give written notice of monthly water rate changes by mail or hand delivery to all affected Members and/or consumers at least 30 days prior to the effective date of the new rates. 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.

- 10) **Grievance Procedures.** Any Member of the Corporation or individual demonstrating interest under the policies of this Tariff in becoming a Member of the Corporation shall have an opportunity to voice concerns or grievances to the Corporation by the following means and procedures:
- a) By presentation of concerns to the Corporation's manager or authorized staff member for discussion and resolution. If not resolved to the satisfaction of the aggrieved party then,
 - b) By presenting a letter of request for a hearing before the Board of Directors. The letter shall state the individual's desired business before the Board and the desired result.
 - c) The President of the Board of Directors shall review the request and determine the best means by which the complaint shall be resolved.
 - d) The President shall further determine a reasonable time and place of all hearings, but not beyond 45 days of the date of receipt of the letter of complaint.
 - e) The Board of Directors, committee thereof, and/or legal counsel shall hear the complaint as directed by the Board.
 - f) Any hearings by committees or staff delegated to hear complaints shall report its recommendation to the full Board for a decision by the Board.
 - g) The Board of Directors shall act upon the information available and direct the President or other representative to respond to the complaint by communicating the Board's decision in writing.
 - h) Any charges or fees contested as a part of the complaint in review by the Corporation under this policy shall be suspended until a satisfactory review and final decision has been made by the Board of Directors. The Board's decision shall be final.
- 11) **Plumbing Standards.** The Corporation adopts the Southern Standard Plumbing Code as guidance in the design installation, and maintenance of plumbing systems and service facilities connecting or connected to the utility's water and/or wastewater facilities, to the extent appropriate under the applicable statutes and regulations governing public water and wastewater utility systems. Any Member may be required to retrofit plumbing systems and service facilities as determined to be necessary by the Corporation for purposes of compliance with the Southern Standard Plumbing Code.

SECTION C: DEFINITIONS

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

Applicant - Person, partnership, Cooperative Corporation, corporation, agency, public or private organization of any character applying for service with Rusk Rural WSC.

Board of Directors - The Board of Directors elected by the Members of Rusk Rural WSC.

Bylaws - The rules pertaining to the governing of the Rusk Rural WSC adopted by the Corporation Members.

Certificate of Convenience and Necessity (CCN) - The authorization granted under Chapter 13 of the Texas Water Code for Rusk Rural WSC to provide water utility service within a defined territory. Rusk Rural WSC has Certificate Number 10785. Territory defined in the CCN shall be the Certificated Service Area.

Corporation - The Rusk Rural Water Supply Corporation

Disconnection of Service - The locking or removal of a water meter to prevent the use of water by a Member/Consumer.

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

Final Plat - A complete and exact plan for the subdivision of a tract of land into lots for marketing which has been approved by all regulatory agencies having jurisdiction over approval of the design, planning, and specifications of the facilities of such subdivision. The Rusk Rural WSC shall determine if a plat submitted for the purposes of this Tariff shall qualify as a final plat.

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

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

Member - An Applicant who has received a Membership Certificate and who is receiving water utility service from Rusk Rural Water Supply Corporation by the payment of the minimum monthly charge.

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

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

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

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

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

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

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

Service Application and Agreement - A written agreement between the Member/Applicant and the Corporation outlining the responsibilities of each party regarding the service of water.

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

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

Transferee - An Applicant receiving a Rusk Rural Water Supply Corporation Membership by legal means from a person or entity desiring to forfeit and transfer current rights to Membership to another person or entity.

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

SECTION D

GEOGRAPHIC AREA SERVED

This section includes the area map which shows the Corporation's Certified Service Area.

SECTION E: SERVICE RULES AND REGULATIONS

- 1)
- 2) **Service Entitlement.** An Applicant shall be considered fully qualified and entitled to water service when proper application has been made, terms and conditions of SERVICE AND MEMBERSHIP have been met and continue to be met, and all fees have been paid as prescribed by this Tariff.
- 3) **Application Procedures and Requirements.** For the purposes of this Tariff, service requested by an Applicant and provided by the Corporation shall be divided into the following two (2) classes:
 - a) **Standard Service** is defined as service on an existing pipeline where pipeline or service facility extensions are not required and special design and/or engineering considerations are not necessary. Typically, this would include only 5/8" x 3/4" sized meter services set on existing pipelines.
 - b) **Non-Standard Service** is defined as any service applied for which is not Standard Service. In addition to the following requirements for service, service requirements as prescribed by Section F of this Tariff shall be required of the Non-Standard Service Applicant prior to extension of such pipelines, and/or service facilities.
 - c) **Requirements for Standard and Non-Standard Service**
 - i) The Corporation's Service Application and Agreement Form shall be completed in full and signed by the Applicant.
 - ii) A Right-of-Way Easement Form, approved by the Corporation, must be completed by the Applicant for the purpose of allowing future extensions or facility additions to improve or provide service to future Applicants. (NOTE: This requirement may be delayed for Non-Standard Service requests).
 - iii) The applicant shall provide proof of ownership or title to property for which service has been requested in a manner acceptable to the Corporation.
 - iv) The Corporation shall consider master metering multiple units for an applicant's request provided the total number of units to be served are all:
 - (1) owned by the same person, partnership, cooperative, corporation, agency, public or private organization of any character but not including a family unit,
 - (2) inaccessible to public right-of-way, and
 - (3) considered a commercial enterprise i.e. for business
 - v) The Applicant shall provide proof that application has been made to the proper regulatory authority for approval and installation of on-site sewage disposal facilities as authorized under the Texas Sanitation and Health Protection Law, Texas Civil Statutes, Article 4477-1, for all services requiring such installations.

- vi) All Service Applications approved and cost of service fees quoted by the Corporation shall be presented to the Applicant in writing and shall stand approved at quoted costs for a period not to exceed thirty (30) days. After thirty (30) days, each Applicant shall re-apply for service under the terms of this Tariff.
 - vii) If the water main has been located in the public right-of-way and is adjacent to Applicant's property due to the current or previous landowner's refusal to grant easement to the Corporation for the purposes of installing the water main and appurtenances, and the Corporation has documentation of such refusal on file, the Applicant, prior to receiving the requested service, shall grant easement to the Corporation. In addition to the normally required fees for service, the Applicant shall pay such sums as are necessary for the removal of the water main from the public right-of-way and for relocation onto the Applicant's property pursuant to such easement.
- 4) **Activation of Standard Service.**
- a) New Tap -- The Corporation shall charge a non-refundable service installation fee as required under Section G of this Tariff. The service installation fee shall be quoted in writing to the Applicant. All other fees shall be paid in advance of installation or in advance of reservation of service capacity including, as applicable, the Membership fee, any Easement Fees, and the Front-end Capital Contributions as required under Section G of this Tariff.
 - b) Re-Service -- In the event an application is made for service on property where service previously existed, and for which an in-active account exists, the Corporation shall charge the Membership Fee and labor and materials cost necessary to restore service. In addition, the Corporation shall charge accumulated Reserved Service Fees which have been entered on the in-active account as monthly debits for the purpose of allowing the Corporation to recover the cost of reserving capacity at the location for which re-service has been requested. If restoration of service is not requested, this fee will accumulate monthly until the total balance of Reserved Service Fees equals the amount of the Front-end Capital Contribution previously paid for service to the property. At such time, all service equipment shall be removed by the Corporation and all subsequent service requests shall be treated as new applications.
 - c) Performance of Work - After all applicable fees are paid and approval is granted by proper authorities, all tap and equipment installations specified by the Corporation shall be completed by the Corporation staff or the Corporation's designated representative. The tap shall be completed within ten (10) working days after receipt of payment of quoted installation fees.
 - d) Inspection of Customer Facilities - The Corporation Staff or its designated representative shall inspect all customer service facilities before and periodically after the tap is made to insure compliance with state required Minimum Acceptable Operation Practices For Public Drinking Water Systems as promulgated by the Texas Water Natural Resource Conservation Commission or successor agency, applicable plumbing codes, and utility construction standards.
- 5) **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.
- 6) **Changes in Service Classification.** If at any time the Corporation determines that the customer service needs change from those needs originally applied for to a different service classification and the Corporation determines that additional or different facilities are necessary to provide adequate service, the Corporation shall require the Applicant/Member to re-apply for service under the terms and conditions of this Tariff. Applicant/Members failing to comply with this provision shall be subject to the Disconnect with Notice Provisions of this Tariff, Sub-Section 15.a.
- 7) **Membership**
 - a) Eligibility -- Eligibility for Membership shall not guarantee service to the Applicant or Transferee; however, qualification for service is a prerequisite to Membership eligibility for new Applicants or continued Membership for Membership Transferees.
 - b) Membership Certificates -- Upon qualification for service, qualification for Membership, and payment of the required fees, the Corporation shall issue a Membership Certificate to the Applicant. The Membership Certificate provides proof of Membership in the Corporation and shall entitle the Applicant/Member to one (1) connection to the Corporation's water main and one (1) share of Corporation stock. The Membership Certificate also entitles the Member to one (1) vote in the conducting of the affairs of any Annual or Special Membership Meeting of the Corporation as prescribed by the Corporation Bylaws. An original or a copy of each Membership Certificate shall be held on file in the Corporation Office. Ownership of more than one (1) Membership Certificate shall not authorize the Member to cast more than one (1) vote at any annual or special meeting.
 - i) Each Membership Certificate and stock thereby represented shall be assigned to the specified parcel of land originally designated to receive service at the time of application.
 - c) Transfers of Membership
 - i) A Member is entitled to transfer Membership in the Corporation without the prior approval of the Corporation only under the following circumstances:
 - (1) The Membership is transferred by will to a person related to the Transferor within the second degree by consanguinity; or
 - (2) The Membership is transferred without compensation to a person related to the Transferor within the second degree by consanguinity; or
 - (3) The Membership is transferred without compensation or by sale to the Corporation; or
 - (4) The Membership is transferred as a part of the conveyance of real estate from which the Membership arose.
 - ii) In the event that Membership is transferred pursuant to the provisions of Sub-Section 6.c.(1) such transfer shall not be completed or recorded on the books and records of the Corporation until such time as the transferor has

provided satisfactory evidence to the Corporation of such transfer. A transfer of Membership shall not be binding on the Corporation until such transfer has been approved as provided by Sub-Section 6.c.(3).

- iii) Qualifications for water service upon transfer of Membership set forth in Sub-Section 6.c.(1) and 6.c.(2) shall be subject to approval of the Corporation and shall be recorded on the books and records of the Corporation only upon the following terms and conditions:

- (1) A Transfer Authorization Form has been completed by the Transferor and Transferee;
- (2) The Transferee has completed the required Application Packet;
- (3) All indebtedness due the Corporation has been paid;
- (4) The Membership Certificate has been surrendered, properly endorsed, by the record Transferor; and
- (5) The Transferee demonstrates satisfactory evidence of ownership of the property designated to receive service and from which the Membership originally arose.
- (6) In the event the existing Member requests a Membership refund, the Corporation shall require the new Member to deposit with the Corporation another Membership Fee as stated in the Corporation's current bylaws.

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

- e) Liquidation Due To Delinquency - When the amount of the delinquent minimum monthly charges, gallonage charges, penalties, and service fees owed by the Member equals the Membership Fee, the Membership Fee shall be liquidated and the Membership canceled and transferred back to the Corporation. In the event the Member leaves a balance due on the account guaranteed under the terms of a Service Application and Agreement, and the delinquent Member owns more than one Membership Certificate, the Corporation may liquidate as many of the Member Guarantor's Membership Fees as necessary to satisfy the balance due the Corporation. The Corporation shall collect any remaining account balances through appropriate means. Reinstatement of service shall be subject to the terms of the Activation of Service Sub-Section 3.a. of this Tariff.

- f) Cancellation Due to Policy Non-Compliance - The Corporation may cancel a Membership anytime a Member fails to comply with policies of the Corporation,

including but not limited to Member's failure to provide proof of ownership of the property from which the Membership arose.

- g) Re-assignment of Canceled Membership - The Corporation, upon cancellation of Membership under the provisions of this Tariff, may re-assign the Membership rights thereby granted to any person who satisfactorily demonstrates eligibility for Membership, including but not limited to proof of ownership of the property from which the Membership arose.
 - h) Owners of Rental Property - Any Member, renting or leasing real estate property designated to receive service according to the terms of this tariff to other parties, is responsible for all charges due the Corporation. The Corporation may bill the renter or lessee for utility service (at Member Request) as a third party, but the Member is fully responsible for any and all unpaid bills left by the renter/lessee. The owner shall be required to sign an Alternate Billing Agreement. (See Miscellaneous Transaction Forms.) The Member shall take responsibility for any necessary deposits from the renter/lessee to ensure payment of a past due bill. The Corporation may notify the Member of the renter's past due payment status subject to service charges (see Section: Miscellaneous Transaction Forms).
- 8) **Denial of Service.** The Corporation may deny service for the following reasons:
- a) Failure of the Applicant or Transferee to complete all required forms and pay all required fees and charges;
 - b) Failure of the Applicant or Transferee to comply with rules, regulations, policies, and bylaws of the Corporation;
 - c) Existence of a hazardous condition at the Applicant's property which would jeopardize the welfare of the Members/Users of the Corporation upon connection;
 - d) Failure of Applicant or Transferee to provide representatives or employees of the Corporation reasonable access to property for which water service has been requested when there is reason to believe that a hazardous condition may exist for which access is necessary to verify;
 - e) Failure of Applicant or Transferee to comply with all governmental rules and regulations of the Corporation on file with the state regulatory agency governing the service applied for by the Applicant;
 - f) Failure of Applicant or Transferee to provide proof of ownership, to the satisfaction of the Corporation, of property for which the tap has been requested, and/or
 - g) Applicant's service facilities are known to be inadequate or of such character that satisfactory service cannot be provided.
- 9) **Applicant's or Transferee's Recourse.** In the event the Corporation refuses to serve an Applicant under the provisions of these rules, the Corporation must notify the Applicant, in writing, of the basis of its refusal, and the Applicant may file for an appeal, in writing, with the Board of Directors of the Corporation.
- 10) **Insufficient Grounds for Refusal of Service.** The following shall not constitute sufficient cause for the refusal of service to an Applicant:
- a) Failure to pay a bill to correct previous under billing due to misapplication of rates more than six (6) months prior to the date of application;

- b) Violation of Corporation's rules pertaining to operation of non-standard equipment or unauthorized attachments which interferes with the service of others, or other services such as communication services, unless the Member has first been notified and been afforded reasonable opportunity to comply with said rules;
 - c) Failure to pay a bill of another Member as guarantor thereof unless the guarantee was made in writing to the Corporation as a condition precedent to service;
 - d) Delinquency in payment for service by a previous occupant of the premises to be served;
 - e) Failure to pay for materials or charges for non-utility service provided by the Corporation.
- 11) **Deferred Payment Agreement.** The Corporation may offer a deferred payment plan to a Member who cannot pay an outstanding balance in full and is willing to pay the balance in reasonable installments as determined by the Corporation, including any Late Penalty Fees or interest on the monthly balance to be determined as per agreement. Such deferred payment plan must be completed within 6 months. The member will be allowed a 50% reduction once in a 12 month period.
- 12) **Charge Distribution and Payment Application**
- a) The Minimum Monthly Charge or the Reserved Service Charge is applied from the first day of the month to the last day of the month. Charges shall be prorated for meter installations and service terminations falling during the calendar month. Billings for this amount shall be mailed on the 1st of the month proceeding the month for which this charge is due. All services shall be subject to this charge whether or not the service is in use by the Member.
 - b) Gallonage Charge, defined as water usage in excess of the water allotment included in the Minimum Monthly Charge, shall be billed at the rate specified in Section G, and shall be billed in one hundred (100) gallon increments. Water charges for usage exceeding the monthly allotment are based on monthly meter readings and recalculated from reading date to reading date. Readings used in all billing calculations shall be taken by the Corporation's employees or designated representative.
 - c) Posting of Payments -- All payments shall be posted against previous balances prior to posting against current billings.
- 13) **Due Dates, Delinquent Bills, and Service Disconnection Date.** The Corporation shall mail all bills on or about the first of the month. All bills shall be due upon receipt and are past due beyond the date indicated on the bill. (Allowing approximately 15 days to pay), after which time a penalty shall be applied as described in Section G. A bill is delinquent if not paid by the due date. Final notices shall be mailed allowing seven (7) additional days for payment prior to disconnection. The seven (7) 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.

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

- a) Disconnection With Notice -- Water utility service may be disconnected for any of the following reasons after proper notification has been given:
 - i) Returned Checks - In the event a check, draft, or any other similar instrument is given by a person, firm, corporation, or partnership to the Corporation for payment of services provided for in this Tariff, and the instrument is returned by the bank or other similar institution as insufficient or non-negotiable for any reason, the Corporation shall mail, via the U.S. Postal Service, a notice requiring redemption of the returned instrument within seven (7) 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.
 - ii) Failure to pay a delinquent account for utility service or failure to comply with the terms of a deferred payment agreement;
 - iii) 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;
 - iv) Failure of the Member to comply with the terms of the Corporation's Service Agreement, Tariff, Bylaws, or Special Contract provided that the Corporation has given notice of said failure to comply, and Member has failed to comply within a specified amount of time after notification.
 - v) 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.
 - vi) Misrepresentation by any Applicant or Transferee of any fact on any form, document, or other agreement required to be executed by the Corporation.
 - vii) Failure of Member to re-apply for service upon notification by the Corporation that Member no longer meets the terms of the service classification originally applied for under the original service application.
- b) Disconnection Without Notice -- Water utility service may be disconnected without notice for any of the following conditions:
 - i) 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;

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

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

- a) Disconnection Prohibited - Utility service may not be disconnected for any of the following reasons:
 - i) 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;
 - ii) 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;
 - iii) Failure of the Member to pay charges arising from an under billing occurring due to any misapplication of rates more than six (6) months prior to the current billing;
 - iv) 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;
 - v) Failure of the Member to pay charges arising from an under billing due to any faulty metering, unless the meter has been tampered with or unless such under billing charges are due to meter error;
 - vi) 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;
- b) 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.
- c) Disconnection due to Utility Abandonment - The Corporation may not abandon a Member or a Certificated Service Area without written notice to its Members and all similar neighboring utilities and approval from the Texas Water Commission.
- d) 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.

- e) A person age 60 or over who is a residential customer and who occupies the entire premises of a dwelling receiving water may request the utility to delay without penalty the payment of the bill until the 25th day after the date on which the bill is issued. Qualifying person may request that the utility implement the delay for the most recent utility bill or for that utility bill and for each subsequent bill for which payment has not already been delayed.
- f) **Disconnection of Master Metered Services** - When a bill for water utility services is delinquent for a master-metered service complex (defined as a complex in which a single meter serves (2) or more residential dwelling units), the following shall apply:
 - i) The Corporation shall send a notice to the Member as required. This notice shall also inform the member that notice of possible disconnection will be provided to the tenants of the service complex in six (6) days if payment is not rendered before that time.
 - ii) At least six (6) days after providing notice to the Member and at least four (4) days prior to disconnection, the Corporation shall post at least five (5) notices in public areas of the service complex notifying the residents of the scheduled date for disconnection of service
 - iii) The tenants may pay the corporation for any delinquent bill in behalf of the owner to avert disconnection or to reconnect service to the complex.
- 16) **Billing Cycle Changes.** The Corporation reserves the right to change its billing cycles if the work load requires such practice. After a billing period has been changed, the billings shall be sent on the new change date unless otherwise determined by the Corporation.
- 17) **Back-billing.** The Corporation may back-bill a Member for up to four (4) years (48 months) for meter error, 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 and the reestablishment of credit. Back-billing shall not extend beyond current Membership except in cases involving the transfer of a Membership conditioned upon payment of delinquent obligations by the Transferee, as provided under Sub-Section 6.h.
- 18) **Disputed Bills.** In the event of a dispute between the Member and the Corporation regarding any bill, the Corporation shall forthwith make and conduct an investigation as shall be required by the particular case, and report the results in writing thereof to the Member. All disputes under this Subsection must be submitted to the Corporation, in writing, prior to the due date posted on said bill except in cases involving the transfer of a Membership conditioned on payment of delinquent obligations by the Transferee, as provided under Sub-Section 6.h.

- 19) **Inoperative Meters.** Water meters found inoperative will be repaired or replaced within a reasonable time. If a meter is found not to register for any period, unless by-passed or tampered with, the Corporation shall make a charge for units used, but not metered, for a period not to exceed three (3) months, based on amounts used under similar conditions during the period preceding or subsequent thereto, or during corresponding periods in previous years.
- 20) **Bill Adjustment Due To Meter Error.** The Corporation shall test any Member's meter upon written request of the Member. In the event the meter tests within the accuracy standards of The American Water Works Association, a test fee as prescribed in Section G of this Tariff shall be imposed. In the event the test results indicate that the meter is faulty or inaccurate, the test fee shall be waived, the meter shall be calibrated or replaced and a billing adjustment may be made as far back as six (6) months but not extending beyond current Membership except in cases involving the transfer of a Membership conditioned on payment of delinquent obligations by the Transferee, as provided under Sub-Section 6.h. The billing adjustment shall be made to the degree of the meter's inaccuracy as determined by the test. The Member shall complete a Meter Test Request Form prior to the test.
- 21) **Meter Tampering and Diversion.** For purposes of these Sections, meter-tampering, by-passing, or diversion shall all be defined as tampering with the Corporation's meter or equipment, by-passing the same, or other instances of diversion, such as removing a locking or shut off device used by the Corporation to discontinue service, physically disorienting the meter, attaching objects to the meter to divert service or to by-pass, inserting objects into the meter, and other electrical and mechanical means of tampering with, by-passing, or diverting service. The burden of proof of meter-tampering, by-passing, or diversion is on the Corporation. Photographic evidence or any other reliable and credible evidence may be used; however, any evidence shall be accompanied by a sworn affidavit by the Corporation's staff when any action regarding meter-tampering as provided for in these Sections is initiated. A court finding of meter-tampering may be used instead of photographic or other evidence, if applicable. Tampering with a water meter will result in the meter being locked and/or removed and a \$200.00 charge to the account before service will be restored at that location. Once a meter had been locked and/or moved for tampering, a \$30.00 reinstallation charge must be paid before a meter will be installed at that location. Unauthorized users of services of the Corporation shall be prosecuted to the extent allowed by law.
- 22) **Meter Relocation.** Relocation of meter/taps shall be allowed by the Corporation provided that:
- a) No transfer of Membership is involved;
 - b) An easement for the proposed location has been granted to the Corporation;
- 23) **Member's Responsibility**
- a) The Member shall provide access to the meter at all reasonable times for the purpose of reading, installing, checking, repairing, or replacing the meter. Member shall provide a key to locked gates. If the gate to the Member's premises is locked, preventing the reading of the meter, an estimated bill shall be

rendered to the Member for the month; and a notice shall be sent to the effect that entrance could not be gained and that a key should be furnished or the gate unlocked for each reading period. Should the gate remain locked for three (3) consecutive months after proper notification to the Member, then service shall be discontinued and the meter removed with no further notice.

- b) The Member shall see that all plumbing connections shall be made to comply with the Texas Department of Health Rules and Regulations.
 - i) 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.
 - ii) The use of pipe and pipe fittings that contain more than 0.25% 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.

24) 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.

- i) A Member owning more than one (1) Membership Certificate shall keep all payments current on all accounts. Failure to maintain current status on all accounts shall be enforceable as per Service Application and Agreement executed by the Member.
- ii) The Corporation's ownership and maintenance responsibility of water supply and metering equipment shall end at the point where the Member connects to the equipment provided by the Corporation during the installation of the metering equipment. Therefore, all water usage registering upon and/or damages occurring to the metering equipment owned and provided by the Corporation shall be subject to charges as determined by the Corporation's Tariff as amended from time to time by the Board of Directors.
- iii) The Corporation shall install on new taps a customer cut off valve on the member's side of the meter and thereafter the member will be required to maintain or replace as needed.
- iv) The cutoff valve will remain part of the tap and will not be removed by the customer. Each Member shall provide and maintain a pressure reducing valve to control water pressure where needed. The Member's use of the Corporation's curb stop or other similar valve is prohibited. Any damage to the Corporation's equipment shall be subject to service charges.

25) **Record Location and Availability.** The records of the Corporation shall be kept in the Corporation's office in Rusk, Texas. These records may, upon request, be examined by any member of the Corporation. The records may not be removed from the Corporation's office.

SECTION F: NON-STANDARD SERVICE REQUIREMENTS

- 1)
- 2) **Corporation's Limitations.** All Applicants shall recognize that the Corporation must comply with local, state, and federal rules and regulations as promulgated from time to time, and by covenants of current indebtedness.
- 3) **Purpose.** The purpose of this Section is to govern agreements and service procedures for subdivisions, additions to subdivisions, or developments where service to more than one tract is necessary; and/or additional piping, service facilities, etc. are required to accommodate individual, multiple, commercial, or industrial Applicants. For the purposes of this Tariff, Applications subject to this Section shall be defined as Non-Standard.
- 4) **Application of Rules.** This Section may be altered or suspended when applied to planned facility expansions for which the Corporation extends its indebtedness. The Board of Directors of the Corporation shall interpret on an individual basis whether or not the Applicant's service request shall be subject to all or part of the conditions of this Section.
- 5) **Non-Standard Service Application.** The Applicant shall meet the following requirements prior to the initiation of a Service Contract by the Corporation:
 - a) The Applicant shall provide the Corporation a completed Service Application and Agreement giving special attention to the item on SPECIAL SERVICE NEEDS OF THE APPLICANT.
 - b) A final plat approved by the Corporation must accompany the Application showing the Applicant's requested service area. The plat must be approved by all regulatory authorities having jurisdiction over lot sizes, sewage control, drainage, right-of-way, and other service facilities. Plans, specifications, and special requirements of such regulatory authorities shall be submitted with the plat. Applicants for single taps involving extension or upsizing of facilities shall be required to submit maps or plans detailing the location of the requested extension and details of demand requirements.
 - c) At the time the Applicant tenders the Application, a Non-Standard Service Investigation Fee (See Section G) to cover initial administrative, legal, and engineering fees shall be paid to the Corporation. The balance of actual expenses shall be refundable to the Applicant and any additional expenses incurred as a result of efforts by the Corporation to study service requirements of the Applicant shall be paid by the Applicant.
 - d) If after the service investigation has been completed, the Corporation determines that the Applicant's service request is for property outside the Corporation's Certificated Service Area of Public Convenience and Necessity, service may be extended provided that:
 - i) The service location is contiguous to or within one-fourth (1/4) mile of the Corporation's Certificated Service Area of Public Convenience and Necessity;
 - ii) The service location is not in an area receiving similar service from another utility; and
 - iii) The service location is not within the Area of Public Convenience and Necessity of another similar utility.

- 6) **Design.** The Corporation shall study the design requirements of the Applicant's required facilities prior to initiation of a Service Agreement by adopting the following schedule:
- a) The Corporation's Consulting Engineer shall design all service facilities for the Applicant's requested service within the Corporation's specifications or within certain codes and specifications of neighboring municipalities having jurisdiction over such design criteria (municipalities with a population greater than five thousand <5,000>).
 - b) The Engineer's fees shall be paid out of the Non-Standard Service Investigation Fee, provided however, that the actual costs of the Engineer's services do not exceed the amount of the Non-Standard Service Investigation Fee allotted for engineering services. If the Applicant's services exceed the allotted fee, the Applicant shall pay the balance of engineering fees prior to commencing with the service investigation.
 - c) The Consulting Engineer shall submit to the Corporation a set of detailed plans, specifications, and cost estimates for the project.
 - d) If no local authority imposes other design criteria on the Applicant's service request, the Corporation's Engineer shall design all facilities for any Applicant to meet the demand for service as platted and/or requested in the plans or plat submitted in application for service. The Corporation reserves the right to upgrade design of service facilities to meet future demands, provided however, that the Corporation pays the expense of such upgrading above the Applicant's facility requirements.
- 7) **Non-Standard Service Contract.** All Applicants requesting or requiring Non-Standard Service shall enter into a written contract drawn up by the Corporation's Attorney, in addition to submitting the Corporation's Service Application and Agreement. Said contract shall define the terms of service prior to construction of required service facilities. Guidelines for the service contract may include, but are not limited to:
- a) Definition of all costs associated with required administration, design, construction, and inspection of facilities for water service to the Applicant's service area and terms by which these costs are to be paid.
 - b) Definition of procedures by which the Applicant shall accept or deny a contractor's bid, thereby committing to continue or discontinue the project.
 - c) Definition of monthly Reserved Service Charges as applicable to the service request.
 - d) Definition of terms by which reserved service shall be provided to the Applicant and duration of reserved service with respect to the impact the Applicant's service request will have upon the Corporation's system capability to meet other service requests.
 - e) Definition of terms by which the Corporation shall administer the Applicant's project with respect to:
 - i) Design of the Applicant's service facilities;
 - ii) Securing and qualifying bids;
 - iii) Execution of the Service Agreement;
 - iv) Selection of a qualified bidder for construction;

- v) Dispensing advanced funds for construction of facilities required for the Applicant's service;
- vi) Inspecting construction of facilities; and
- vii) Testing facilities and closing the project.
- f) Definition of terms by which the Applicant shall indemnify the Corporation from all third party claims or lawsuit in connection with the project contemplated.
- g) Definition of terms by which the Applicant shall deed all constructed facilities to the Corporation and by which the Corporation shall assume operation and maintenance responsibility, including any enforcement of warranties in connection with construction of the Applicant's project.
- h) Definition of terms by which the Applicant shall grant title or easement for right-of-ways, constructed facilities, and facility sites and/or terms by which the Applicant shall provide for the securing of required right-of-ways and sites.
- i) Definition of terms by which the Board of Directors shall review and approve the Service Contract pursuant to current rules, regulation, and bylaws.
- 8) **Property and Right-of-Way Acquisition.** With regard to construction of facilities, the Corporation shall require private right-of-way easements or private property as per the following conditions:
 - a) If the Corporation determines that right-of-way easements or facility sites outside the Applicant's property are required, the Corporation shall require the Applicant to secure easements or title to facility sites in behalf of the Corporation. All right-of-way easements and property titles shall be researched, validated, and filed by the Corporation at the expense of the Applicant.
 - b) All facilities required to be installed in public right-of-ways in behalf of the Applicant, due to inability to secure private right-of-way easements, shall be subject to costs equal to the original cost of facility installation for those facilities in public right-of-ways, plus the estimated cost of future relocation to private right-of-ways, or subject to the cost of installation under state condemnation procedures, whichever is most desired by the Applicant.
 - c) The Corporation shall require an exclusive dedicated right-of-way on the Applicant's property (as required by the size of the planned facilities and as determined by the Corporation) and title to property required for other on-site facilities.
 - d) Easements and facilities sites shall be prepared for the construction of the Corporation's pipeline and facility installations in accordance with Corporation's requirements and at the expense of the Applicant.
- 9) **Bids for Construction.** The Corporation's Consulting Engineer shall advertise for bids for the construction of the Applicant's proposed facilities in accordance with generally accepted practices. Plans and specifications shall be made available, with or without charge, to prospective bidders. Although the Corporation reserves the right to reject any bid or contractor, the Corporation shall generally award the contract to the lowest and best bidder in accordance with the following criteria:
 - a) The Applicant shall sign the Service Contract noting willingness to proceed with the project and shall pay all costs in advance of construction associated with the project;

- b) The Contractor shall provide an adequate bid bond under terms acceptable to the Corporation;
 - c) The Contractor shall secure adequate performance and payment bonding for the project under terms acceptable to the Corporation;
 - d) The Contractor shall supply favorable references acceptable to the Corporation;
 - e) The Contractor shall qualify with the Corporation as competent to complete the work, and
 - f) The Contractor shall provide adequate certificates of insurance as required by the Corporation.
- 10) **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.
- 11) **Construction.**
- a) All road work pursuant to county and/or municipal standards (if applicable) shall be completed prior to facility construction to avoid future problems resulting from road right-of-way completion and excavation. Subject to approval of the requisite authority, road sleeves may be installed prior to road construction to avoid road damage during construction of Applicant's facilities.
 - b) The Corporation shall, at the expense of the Applicant, inspect the facilities to ensure that Corporation standards are achieved.
 - c) Construction plans and specifications shall be strictly adhered to, but the Corporation reserves the right to change-order any specifications, due to unforeseen circumstances during the design phase, to better facilitate operation of the Applicant's facility. All change-order amounts shall be charged to the Applicant.

SECTION G: RATES AND SERVICE FEES

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

- 1)
- 2) **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, unique to each project, of sufficient amount to cover all administrative, legal, and engineering fees associated with investigation of the Corporation's ability to deliver service to the Applicant, to provide cost estimates of the project, to present detailed plans and specifications as per final plat, to advertise and accept

bids for the project, to present a Non-Standard Service Contract to the Applicant, and to provide other services as required by the Corporation for such investigation. A Non-Standard Service Contract shall be presented to the Applicant within a suitable amount of time as determined by the complexity of the project. (See Section F.)

- 3) **Membership Fee.** At the time the application for service is approved, a Membership Fee of \$100.00 must be paid for each lot/tap or meter equivalent before service shall be provided or reserved for the Applicant by the Corporation.
- 4) **Easement Fee.** When the Corporation determines that private right-of-way easements and/or facilities sites are necessary to provide service to the Applicant, the Applicant shall be required to secure easements in behalf of the Corporation and/or pay all costs incurred by the Corporation in validating, clearing, and retaining such right-of-way in addition to tap fees otherwise required pursuant to the provisions of this Tariff. The costs may include all legal fees and expenses necessary to attempt to secure such right-of-way and/or facilities sites in behalf of the Applicant, A \$25.00 fee for any easement filed by the company.
- 5) **Installation Fee.** The Corporation shall charge an installation fee for service as follows:
 - a) Standard Service shall include all current labor, materials, engineering, legal, and administrative costs necessary to provide individual metered service and shall be charged on a per tap basis as computed immediately prior to such time as metered service is requested and installed.
 - b) Non-Standard Service shall include any and all construction labor and materials, administration, legal, and engineering fees, as determined by the Corporation under the rules of Section F of this Tariff.
 - c) Standard and Non-Standard Service Installations shall include all costs of any pipeline relocations as per Section E.1.c of this Tariff.
- 6) **Front-end Capital Contributions.** In addition to the Membership Fee, each Applicant shall be required to contribute capital in an amount projected to defray the cost of up-grading system facilities to meet growth demands created by adding customers. This fee shall be assessed immediately prior to providing or reserving service on a per residential meter equivalent basis for each tap/lot and shall be assigned and restricted to the tap/lot for which the service was originally requested. The formula applied to such fee is as follows:

a) Membership Fee	\$100.00 times meter equivalent
b) Front-end Capital	\$240.00 times meter equivalent
c) Tap Fee	\$335.00 Larger than 5/8" X 3/4" cost
	difference added
d) Connect Fee	<u>\$ 25.00</u>
e) Easement Fee	<u>\$ 25.00</u>

Total \$725.00 for 5/8" X 3/4" standard

NOTE: The above is a standard fee and does not include any additional pipe, road bores, or additional materials for installation from the main water line to Corporation side of meter.

7) Monthly Charges

a) Minimum Monthly Charges

- i) 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) equivalent to the size indicated and is used as a base multiplier for the minimum monthly charge and allowable gallonage. Rates, equivalents, and allowable gallonages are as follows:

Meter Size	5/8" X 3/4" Meter Equivalents	Allowable Gallonage	Monthly Rate
5/8" X 3/4	1	0	\$20.00
1"	2.5	0	\$50.00
1 1/2"	5	0	\$100.00
2"	8	0	\$160.00
3" DISP	9	0	\$180.00
3" CMPD	16	0	\$320.00
3" TURBO	17.5	0	\$350.00
4" CMPD	25	0	\$500.00
4" TURB	30	0	\$600.00
6" CMPD	50	0	\$1000.00
6" TURB	62.5	0	\$1250.00
8" CMPD	80	0	\$1,600.00

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

- iii) In addition to the Minimum Monthly Charge, a gallonage charge shall be added at the following rates for usage during any one (1) billing period.

(1) Water = \$6.00 per 1000 gallons for any gallonage used.

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. 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.

- 8) **Late Payment Fee.** Once per billing period, a penalty of \$5.00 or 10%, 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) **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 service 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 \$30.00.
- 10) **Reconnect Fee.** The Corporation shall charge a fee of \$50.00 for reconnecting service after the Corporation has previously disconnected the service for any reason provided for in this Tariff except for activation of service Section E.3.b. (Re-Service.)
- 11) **Service Trip Fee.** The Corporation shall charge a trip fee of \$25.00 for any service call or trip to the Member's tap as a result of a request by the Member or resident (unless the service call is in response to damage of the Corporation's or another Member's facilities).
- 12) **Temporary Connects.** The Corporation shall charge a fee of \$25.00 for temporary connect to allow the Member/Consumer to Transfer original Membership to temporary location within a reasonable time approved by the Board of Directors. The member/consumer will pay usage for a temporary connection based on gallons used on temporary meter.
- 13) **Ambulance Fee.** The Corporation has adopted a public service effective January 1, 1993 for Corporation Members only to allow them by their own individual discretion to pay additional \$4.00 and/or \$6.00 per month per customer which in turn will be turned over to East Texas Medical Center Emergency Medical Service or its successor to become EMS members for the purpose of protecting out-of-pocket expenses for ambulance use. Rusk Rural Water has no obligation other than to forward collected monies to the Emergency Service.
- 14) **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 taps, or re-connection 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.
- 15) **Transfer Fee.** An Applicant for service who is a Transferee shall complete all required application forms, etc., and pay a Transfer Fee of \$25.00
- 16) **Meter Test Fee.** The Corporation shall test a Member's Meter upon written request of the Member. Under the terms of Section E of this tariff, a charge of \$40.00 shall be imposed on the affected account.

- 17) **Non Disclosure Fee.** A fee of \$3.00 shall be assessed any customer requesting in writing that personal information under the terms of this tariff not be disclosed to the public.
- 17) **Customer Service Inspection Fee.** A fee of \$50.00 will be assessed each Applicant before permanent continuous service is provided to new construction.
- 18) **Groundwater District Production Fee.** A fee of _____ per thousand gallons of water used by each customer; this fee is collected to pay a portion of the annual fee charged the Corporation by _____ Groundwater Conservation District based on the amount of water pumped from the Corporation's well located within the boundaries of the District.
- 19) **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.

SECTION H:

DROUGHT CONTINGENCY **AND** **EMERGENCY WATER DEMAND MANAGEMENT PLAN**

System ID numbers: 0370031, 0370053, 0370054

1. INTRODUCTION

Introduction

The goal of this plan is to provide guidance in the event of water shortage and satisfy state law. It is the intent of Rusk Rural Water Supply to comply with all laws, while also recognizing there is no substitute for common sense and knowledgeable personnel to keep a system in serviceable condition. In attempting to identify triggers for rationing, all possible scenarios cannot be foreseen, and needs arising during such conditions will always be different, therefore any such plan needs latitude for manager discretion. However, a basic plan will be developed that will offer guidance and anticipate some problems that may occur and reasonable solutions and actions that may be employed.

As experience with working with this document increases, updates will from time to time need to be incorporated. Board review will be scheduled every 5 years as required by the state or sooner as determined by the manager and/or board.

The General Manager will monitor usage patterns and make recommendations to the Board on conservation efforts and demand management procedures. The Manager will determine the type and method of notifications employed to implement this plan, and the board will determine any ongoing public education efforts to be employed.

For purposes of this document, General Manager or manager shall be defined as the person holding the position of general manager, or in the absence of such a person, the board president or whomsoever the board president may designate. In the absence of a general manager or board president, whomsoever the officers or a quorum of board members shall designate for purposes of implementing this document.

The plan will be divided into the three stages of rationing. Section D describes the conditions that will trigger these stages.

2. PUBLIC INVOLVEMENT

Opportunity for the public to participate in the preparation of the Plan was provided by the Board by scheduling and providing notice of a public meeting to adopt this plan.

3. Coordination with Regional Water Planning Group

A copy of this document has been provided to the Deep East Texas Region I Regional Water Planning Group, to which this corporation is subject.

4. TRIGGER CONDITIONS

The general manager is responsible for monitoring water supply and demand conditions

and shall determine when conditions warrant initiation or termination of each stage of the plan. The triggering conditions described below take into consideration:

- a) the vulnerability of the water source under drought of record conditions;
- b) the production, treatment and distribution capacities of the system,
- c) And member usage based upon historical patterns.

The general manager will determine whether to implement the plan collectively for all three system ID's or individually for one or more system ID's. Systems may be identified by the Well that supplies each system:

Well # 1 Crockett Street Well ID #: 0370031

Well # 2 Highway 69 Well ID#: 0370053

Well # 3 Loop 343 Well ID#: 0370054

- a. **Stage I - Mild Condition:** Stage I water allocation measures may be implemented when one or more of the following conditions exist:

- 1) Water consumption has reached 85 percent of daily maximum supply for three (3) consecutive days.
- 2) 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.

- b. **Stage II - Moderate Conditions:** Stage II water allocation measures may be implemented when the following condition exist:

- 1) Water consumption has reached 90 percent of the amount available for three consecutive days.

- c. **Stage III - Severe Conditions:** Stage III water allocation measures may be implemented when one of the following five conditions exist:

- 1) Failure of a major component of the system or an event which reduces the minimum pressure in the system below 20 psi for a period of 24 hours or longer.
- 2) Water consumption of 95 percent or more of the maximum available for three (3) consecutive days.
- 3) Water consumption of 100 percent of the maximum available and/or the water storage levels sufficient to provide pressure cannot be maintained indefinitely.
- 4) Natural or man-made contamination of the water supply source(s).
- 5) The declaration of a state of disaster due to drought conditions in a county or counties served by the Corporation.
- 6) Reduction of wholesale water supply due to drought conditions.
- 7) Other unforeseen events which could cause imminent health or safety risks to the public.

5. STAGE LEVELS OF WATER ALLOCATIONS

The stage levels of water allocations are to be placed in effect by the triggers in Section D. The System shall institute monitoring and enforce penalties for violations of the Drought Plan for each of the Stages listed below. The water allocation measures are summarized below.

- a. **Stage I - Mild Conditions**

- 1) Alternate day, time of day, or duration restrictions for outside water usage

- allowed. (System will notify Customers which restriction is in effect)
- 2) The system will reduce flushing operations.
 - 3) Reduction of customers' water use will be encouraged through notices on bills or other method.

b. Stage II - Moderate Conditions

- 1) All outside water use is prohibited (except for livestock variances).
- 2) Make public service announcements as conditions change via local media (TV, radio, newspapers, etc.).

c. Stage III - Severe Conditions

- 1) All outside watering prohibited. (except for livestock variances)
- 2) Water use will be restricted to a percentage of each member's prior month usage, with a reasonable base allowable per household. This base will normally be based on 120 gallons per day per person, and may be reduced as necessary to assure service to all customers. Terms and procedures for determining the base amount will be sent to each customer.
- 3) Corporation shall continue enforcement and educational efforts.

NOTE :

- Refer to your water purchase contract for additional restrictions/requirements that may be imposed by stipulations from the wholesale supplier.
- There may be additional restrictions imposed by Governmental Entities.
- Meters will be read as often as necessary to insure compliance with this program for the benefit of all the customers.

6. INITIATION AND TERMINATION PROCEDURES

Once a trigger condition occurs, the Corporation, or its designated responsible representative, shall, based on recommendation from the general manager, 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.

A guidance for writing Customer Notice of water allocation conditions is included in Miscellaneous Transaction Forms of this tariff.

If the water allocation program continues the manager shall present the reasons for the allocations at the next scheduled Board Meeting and shall request the concurrence of the Board to extend the allocation period.

When conditions sufficiently improve and another trigger is not anticipated, the manager may downgrade or lift the allocation condition. Written notice of the end of allocations shall be given to customers. A water allocation period may not exceed 60 days without extension by action of the Board.

7. PENALTIES FOR VIOLATIONS

- a. First Violation** – The customer/member will be notified by a written notice of their specific violation.
- b. Second Violation** - The Corporation may install a flow restricting device in the customer's service line to limit the amount of water that will pass through the meter in a 24 hour period. The cost of this shall be the actual cost to do the work and shall be paid by the customer.
- c. 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.

8. EXEMPTIONS OR WAIVERS

The manager 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 manager 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 manager 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 manager.

Variances granted by the Committee shall be subject to the following conditions, unless specifically waived or modified by the manager 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.

9. IMPLEMENTATION

The Manager will review the procedures in this plan periodically as needed to accommodate system growth, demand, and circumstances and make recommendations to the board as needed.

This Plan was adopted by the Board at a properly noticed meeting held on April 8, 2003.

Guidance for Notice to Customers

Mild Conditions:

If bills are to be sent during this Condition, a note will be placed on the bill regarding restrictions.

Local Radio and local newspapers may be utilized to notify the public of time restrictions, alternate day restrictions, and restriction lifting in most cases.

Notice to be posted in window or bulletin board at the office.

Any other form of notification that may be available at the time

Enforcement will be limited to only those who willfully trespass after being advised of intent to enforce for continued violation, and be limited to only action required to control excess usage (that is, lock the meter or restrict flow). This condition will generally be regarded as voluntary.

Moderate Conditions:

If bills are to be sent during this Condition, a note will be placed on the bill regarding restrictions.

Local Radio and local newspapers may be utilized to notify the public of time restrictions, alternate day restrictions, and restriction lifting in most cases.

Notice to be posted in window or bulletin board at the office.

Any other form of notification that may be available at the time

Mail outs to the owner of each house served is required for enforcement actions.

Severe Conditions:

If bills are to be sent during this Condition, a note will be placed on the bill regarding restrictions.

Local Radio, TV and/or local newspapers may be utilized to notify the public of time restrictions, alternate day restrictions, and restriction lifting in most cases.

Notice to be posted in window or bulletin board at the office.

Any other form of notification that may be available at the time

Mail outs to the owner of each house served is required for enforcement actions.

Sample Notices:

Rusk Rural Water Supply Corporation
P O Box 606
Rusk, TX 75785
Voice: (903)683-6178
Fax: (903)683-1096

Notice of XXX (Condition Determination) Drought Condition

Rusk Rural Water is experiencing higher than normal rates of consumption, and has determined a need to implement this water conservation plan. Conservation classification is divided into three levels, Mild, Moderate, and Severe. Users of Rusk Rural Water are advised of an XXX Condition. Allocation of water is subject to the following terms as of (Date).

Conditions affecting duration and expected duration period should be explained here.

Area affected should be addressed here.

(Option 1 – Mild Condition Sample)

This condition normally will not require mailed notice. Use of radio, newspaper, TV, or notes on the bill is usually sufficient.

(Option 2 - Moderate Condition Sample)

If you account number end with an even number, you may perform outside watering on even numbered days. No outside watering will be permitted between the hours of 5PM and 10PM, nor between the hours of 6:00AM until 8:00AM.

(Option 3 – Severe Condition Sample)

All outside watering is prohibited. (Livestock owners should obtain a variance from the general manager if water from the corporation is required for animals.) A mandatory reduction to 90% of the water billed for the month of June, 2000, is required (10 percent usage reduction). Services with leaks will remain turned off (and optionally locked) until leaks are repaired.

- d. First Violation** – The customer/member will be notified by a written notice of their specific violation.
- e. Second Violation** - The Corporation may install a flow restricting device in the customer's service line to limit the amount of water that will pass through the meter in a 24 hour period. The cost of this shall be the actual cost to do the work and shall be paid by the customer.
- f. Subsequent Violations** - The Corporation may terminate service for up to 7 days and charge for the service call to restore service.

Variances for livestock watering may be obtained from the general manager. Such variance requires all reasonable conservation efforts to be applied to such livestock watering. That is, no leaking troughs, automatic cutoffs need to be working, or troughs filled by a person watching the trough while filling, etc.

WHOLESALE WATER CONTRACT

THE STATE OF TEXAS §
 §
 THE COUNTY OF CHEROKEE §

THIS CONTRACT (the "Contract") made and entered into as of this the ____ day of October, 2020, by and between the City of Rusk, Texas, hereinafter called "City", a home rule municipal corporation in the State of Texas, and Rusk Rural Water Supply Corporation, hereinafter called "RRWSC."

WITNESSETH:

WHEREAS, RRWSC is authorized to enter into this Contract pursuant to Chapter 62, Acts of the 52nd Legislature, 1951 (Article 8280-141, Vernon's Texas Civil Statutes) and other applicable laws;

WHEREAS, the City and RRWSC have previously entered into a Memorandum of Understanding ("MOU") dated September ____, 2020, to negotiate in good faith concerning the sale of water in the event that Iron Hill Water Supply transfer certain accounts to RRWSC, with whom the City has an existing contract with dated June 6, 1966 for a term of 50 years. The contract was extended an additional 25 years collectively referred to as the "Iron Hill Agreement," whereby the City agreed to provide potable water to Iron Hill Water Supply Company in quantities specified therein;

WHEREAS, such a transfer between Iron Hill Water Supply and RRWSC has been reached;

WHEREAS, RRWSC desires to obtain an adequate and dependable water supply from the City;

WHEREAS, RRWSC acknowledges and understands that this Contract establishes a maximum amount of potable water that the City is required to deliver to RRWSC;

WHEREAS, RRWSC is not compelled to purchase water from the City and is voluntarily entering into this Contract;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the City agrees to furnish water, and RRWSC agrees to pay for water, upon the terms and conditions and for the consideration hereinafter set forth, to wit:

Section 1. DEFINITION OF TERMS. The following terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

- (a) "The City" means City of Rusk, Texas as defined in the preamble to this Contract;
- (b) "Monthly Payment" means the amount of money to be paid to the City by RRWSC during each Monthly Payment Period;
- (c) "Monthly Payment Period" means the beginning of a billing cycle which shall begin on the 1st of each month and ends on the final day of each month;
- (d) "Contract Date" means the effective date of this Contract as executed by both parties;
- (e) "RRWSC" means Rusk Rural Water Supply Corporation as defined in the preamble to this Contract;
- (f) "RRWSC Entity or RRWSC Entities" means any customer with which the City contracts to furnish water;
- (g) "Point of Delivery" means the air gap between the provision of service by the City to RRWSC, all facilities upstream of which shall be the sole responsibility of the City, and all facilities downstream of which shall be the sole responsibility of the RRWSC;
- (h) "System" means, collectively, the existing system and the future improvements and water of the City included as part of the System for projects, water storage, treatment, transmission and supply; and,
- (i) "Iron Hill Accounts" means customers currently supplied by Iron Hill Water Supply Company under the Iron Hill Agreement.

Section 2. QUANTITY. The water to be delivered by the City and received by RRWSC shall be potable water. RRWSC has satisfied itself that such water will be suitable for its needs. The City agrees, during the period of this Contract, to tender and make available to RRWSC, for its own use in servicing the Iron Hill Accounts and at the delivery point as hereinafter specified, treated water in the volume required by RRWSC, provided that the maximum rate of delivery of such water shall not exceed Fifty Thousand (50,000) gallons per day, and RRWSC agrees to pay the City for such services in accordance with the provisions of Section 8 hereof. The City of Rusk shall have the authority to make inspections-and the plumbing inspector of the City of Rusk will make regular periodic inspections to assure that no cross-connections or conditions that might permit back-flow or back-siphonage exist on that portion of the system receiving water under pressure from the City supply line. If such conditions are found to exist, the City of Rusk shall have authority to disconnect water service to any customer until satisfactory corrections are made. The City and RRWSC shall cooperate, each within its legal powers, in preventing, to the extent practicable, the pollution and contamination of the reservoirs and watersheds from which water is obtained.

Section 3. OTHER CONTRACTS. The City reserves the right to supply potable water from the System to additional parties as determined by the Rusk City Council.

Section 4. FLOW RATE. The City shall provide water at a guaranteed rate of flow of 0.6 gallons per minute.

Section 5. POINT(S) OF DELIVERY. The points for delivery of water to the RRWSC from City's system shall be located at 647 CR 1201, Rusk, Texas 75785, and City. agrees to deliver at said point of delivery the quantities of water herein contracted for at the pressure which is maintained at said point in the water supply system of the City, it being hereby specifically agreed that RRWSC utilize whatever pressure maintained in the City system for the movement of the water herein contracted to be purchased through the supply line to the first reservoir of the RRWSC.

Valve?
Meter!
gill address

In the event that the water supply line is relocated for any reason beyond the control of the City, RRWSC shall be responsible for all costs associated with construction and relocation of the delivery point.

Section 6. MEASURING EQUIPMENT. RRWSC shall furnish, and install at its own expense at, or near, the Point of Delivery the necessary rate of flow equipment, of a standard type approved by the City, for measuring properly in both low and high flow periods the quantity of potable water delivered under this Contract and such billing meter and other equipment so installed shall become the property of the City. RRWSC shall have access to such metering equipment at all reasonable times, but the reading, calibration, and adjustment thereof shall be accomplished only by the employees or agents of the City. For the purpose of this Contract, the original record or reading of the meter shall be the journal or other record book, including, but not limited to electronic databases, maintained by the City in its office in which the records of the employees or agents of the City who take the reading may be transcribed. Upon written request of RRWSC, the City will provide a copy of such journal or record book, or permit it to have access to the same in the office of the City during reasonable business hours.

11 ?

Not more than once in any six (6) month time period, the City shall test its billing meter if requested in writing by RRWSC to do so, in the presence of a representative of RRWSC, and the parties shall jointly observe any adjustments that are made to the billing meter in case any adjustments shall be necessary. If upon any test, the percentage of inaccuracy of any billing meter equipment is found to be in excess of two percent (2%), registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half (1/2) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If for any reason any billing meters are out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water

*compare total customer usage to
billing meter - helps in determining
% loss or leakage.*

delivered through the period such billing meters are out of service or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if the same have been installed and are accurately registering. Otherwise, the amount of water delivered during such period may be estimated (i) by correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation, or (ii) estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the billing meter or meters were registering accurately.

see § #1, sec. 6

RRWSC may, at its option and its own expense, install and operate a check meter downstream of the Point of Delivery to check each billing meter installed by the City, but the measurement of water for the purpose of this Contract shall be solely by the City's meters, except in the cases hereinabove specifically provided to the contrary. All such check meters shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or agent of the City.

Section 7. UNIT OF MEASUREMENT. The unit of measurement for potable water delivered under this Contract shall be 1,000 gallons of water, U.S. Standard Liquid Measure.

Section 8. PRICE AND TERMS. The service to be performed under this Contract by the City consists of the readiness of the City to deliver to RRWSC upon its demand, water in accordance with the conditions, limitations and provisions of this Contract.

In return for such service, RRWSC agrees to compensate the City by payment of certain minimum annual sums of money, for each of which said sums the City agrees, if required by RRWSC, to deliver all, or so much thereof as RRWSC may desire, of a certain corresponding volume of water, as follows:

- (a) RRWSC will compensate the City ~~at a rate of and~~ a flat rate of \$5.00 per 1,000 gallons.
- (b) City agrees to take all reasonable and practical actions necessary to enable it to provide treated water to RRWSC as contemplated by this Agreement. If potable water must be rationed, such rationing shall, within the limits permitted by law, be accomplished by the City on an equal basis of the relative actual total amount of all potable water taken by each RRWSC Entity, respectively, during the average of the last three (3) preceding Monthly Payment Period in which rationing among said RRWSC Entities was not necessary.
- (c) Payment of the monthly service charge listed above shall be made each month by the RRWSC to the City and shall be due and payable on or before the 10th day of the month following the service,

- (d) The City agrees to not raise the water rates for a period of five (5) years from the commencement date of this contract. At the conclusion of the five (5) year period the RRWSC and the City agree to renegotiate as to the rate only.
- (e) Liability for making payments, as herein set forth, shall commence on the date of the first tender of delivery of water to RRWSC by the City at the Point of Delivery.
- (f) In the event that RRWSC shall fail to make any such monthly payment or annual payment within the time herein in this section specified, interest on such amount shall accrue at the rate of ten percent (10%) per annum from the date such payment becomes due until paid in full with the interest as herein specified. In the event such payment is not made within thirty (30) days from the date such payment becomes due, the City may at its option discontinue delivery of water to RRWSC until the amount due the City is paid in full with interest as herein specified.

Section 9. TERM OF CONTRACT. This Contract shall commence on the Contract Date and shall continue for a term of twenty-five (25) years following the Contract Date.

Section 10. MODIFICATION. This Contract may be changed or modified only by written agreement of the parties and only after having obtained approval from the governing bodies of both the City and RRWSC. No change or modification shall be made to this Contract which will affect adversely the prompt payment when due of all monies required to be paid by RRWSC under the terms of this Contract.

Section 11. FORCE MAJEURE. If by reason of force majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of RRWSC, to make the payments required under Section 8 of this Contract, then if such party shall give notice and full particulars of such force majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, or on account of any other causes not reasonably within the control of the party claiming such inability.

Section 12. INSURANCE. The City agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self-insurance for purposes and in amounts which, as determined by the City, ordinarily would be carried by a privately-owned utility company owning and operating such facilities, except that the City shall not be required to provide liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the City's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed properties and equipment, to minimize the interruption of the services of such facilities. All premiums for such insurance shall constitute just and reasonable operation and maintenance expense. The insurance coverage referenced herein does not extend to any facility owned by RRWSC.

Section 13. REGULATORY BODIES AND LAWS. This Contract is subject to all applicable Federal and State Laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum, having jurisdiction.

Section 14. LIMITATION ON RESALE. RRWSC agrees that it will not, during the term of this Contract, resell any of the treated water it purchases from the City hereunder to any wholesale or other customer other than retail customers within its service area, without prior written consent by the City.

Section 15. NOTICES. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by any party to any other party must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three (3) days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to the City, to:

CITY OF RUSK
City Manager
205 S. Main
Rusk, Texas 75785
Phone: 930-683-2213

If to RRWSC:

Rusk Rural Water Supply Corporation
Attn: General Manager
1055 N Dickinson Dr
Rusk, TX 75785

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days written notice to the other parties hereto.

Section 16. SEVERABILITY. The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State of Texas or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 17. SOLE AGREEMENT. This Contract constitutes the sole and only agreement of RRWSC and the City and supersedes any prior understanding or oral or written agreements between RRWSC and the City with respect to the subject matter of this Contract.

Section 18. VENUE. All amounts due under this Contract including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Cherokee County, Texas, which is the County in which the principal administrative offices of the City are located. It is specifically agreed among the parties to this Contract that Cherokee County, Texas, is a principal place of performance of this Contract.

Section 19. OPERATING CONDITIONS AND PROVISIONS.

- (a) **Operation and Maintenance of System.** The City will continuously operate and maintain the System in an efficient manner and in accordance with good business and engineering practices, and at reasonable cost and expense.

- (b) Title to Water; Indemnification. The City shall retain title to all water supplied to RRWSC up to the Point of Delivery, at which point title to such water shall pass to RRWSC. The City and RRWSC shall save and hold each other harmless from all claims, demands, and causes of action that may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party.
- (c) Operating Expenses of RRWSC. RRWSC represents and covenants that all payments to be made by it under this Contract shall constitute reasonable and necessary operating expense of its system and that all such payments will be made from the revenues of its system. RRWSC represents and has determined that the potable water supply to be obtained from the System is absolutely necessary and essential to the present and future operation of its water system and is the only available and adequate source of supply of potable water. Accordingly, all payments required by this Contract to be made by RRWSC shall constitute reasonable and necessary operating expense of its respective system as described above, with the effect that the obligation to make such payments from revenues of such systems shall have priority over any obligation to make any payments from such revenues (whether of principal, interest, or otherwise) with respect to all bonds or other obligations heretofore or hereafter issued by RRWSC.
- (d) RRWSC's Rate for Waterworks System. RRWSC agrees throughout the term of this Contract to continuously operate and maintain its waterworks system, and to fix and collect such rates and charges for water services to be supplied by its waterworks system as aforesaid will produce revenues in an amount equal to at least (i) all of its payments under this Contract and (ii) all other amounts required to be paid from said revenues by the provisions of the ordinances or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding and to file appropriate financial reports related to the RRWSC's system including annual audits.
- (e) Equity. RRWSC acknowledges that it will accrue no equity or any other interest in the System or any other assets of the City as a result of payment or other performance pursuant to this Contract.

Section 20. WATER CONSERVATION. RRWSC agrees to adopt, implement, and enforce any and all ordinances and policies related to water conservation and drought management as required by the Texas Water Code, rules of the TCEQ and/or as may be adopted by the City. The City's obligations pursuant to this Contract shall be subject to RRWSC preparing and implementing a water conservation plan or water conservation measures, as well as implementing any water conservation plans and drought contingency plans adopted by the City and required or approved by the TCEQ, the Board, or any other federal, state, or local regulatory authority with power to require or approve water conservation and drought contingency plans. Upon execution of this Contract, RRWSC shall submit its water conservation plan or water

conservation measures, and drought contingency plan, to the City for review and approval, and RRWSC agrees to amend its water conservation plan or water conservation measures, and drought contingency plan as requested by the City in order to comply with requirements of the City's water conservation plan and drought contingency plan, program and/or rules. RRWSC shall also submit any changes or amendments to its water conservation plan or water conservation measures, and drought contingency plan, to the City for review and approval.

Section 21. DEMAND ASSESSMENT. The location of the delivery point(s) and any quantity set forth in this Contract are intended to meet the water needs of RRWSC. The needs of RRWSC are independently determined by RRWSC, and the City has conducted no independent evaluation of the RRWSC's water system.

Section 22. NO THIRD PARTY BENEFICIARIES. This Contract shall inure only to the benefit of the parties hereto and third persons not privy hereto shall not, in any form or manner, be considered a third-party beneficiary of this Contract. Each party hereto shall be solely responsible for the fulfillment of its customer contracts or commitments, and the City shall not be construed to be responsible for RRWSC's contracts or commitments by virtue of this Contract or any provision contained herein.

Section 23. ASSIGNMENT. This Contract may be assigned by the RRWSC to the United States of America, acting by and through the Rural Utilities Service, its successors or assigns, as security for a certain loan to be made by the Rural Utilities Service to the RRWSC. Other than the forgoing this Contract may not be assigned to any other entity without approval of the City by and through a majority vote of its City Council.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed in several counterparts, each of which shall constitute an original, all as of the day and year first above written, which is the Contract Date.

RUSK RURAL WATER SUPPLY CORPORATION

CITY OF RUSK, TEXAS

By: _____
Mike Hamilton, General Manager

By: _____
Angela Raiborn, Mayor

(Acknowledgment)

STATE OF TEXAS
COUNTY OF CHEROKEE

This instrument was acknowledged before me on the _____ day of _____, 2020, by Angela Raiborn, Mayor of the City of Rusk, Texas, a home rule municipal corporation situated in Cherokee County, Texas, on behalf of said entity and in the capacity stated.

Notary Public in and for the State of Texas

(Acknowledgment)

STATE OF TEXAS
COUNTY OF CHEROKEE

This instrument was acknowledged before me on the _____ day of _____, 2020, by Mike Hamilton, General Manager of Rusk Rural Water Supply Corporation, on behalf of said entity and in the capacity stated.

Notary Public in and for the State of Texas





