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MacBee
Special Utility District

PO Box 780
Wills Point, Texas 75169-0780

903-873-2109
Fax: 903-873-2748
www.macbeewater.com

October 12, 2011

TARIFF CLERK
OFFICE OF WATER SUPPLY DIVISION,
MC 153
TCEQ
PO BOX 13087
AUSTIN TX 78711-3087

Re: Service Policies for MacBee Special Utility District, CCN No. 10845, in Van Zandt County

Dear Tariff Clerk:

Pursuant to Texas Water Code Section 13.136(c) and TAC Section 291.21(j), enclosed is a corrected copy of Service Policies for MacBee Special Utility District provided for informational purposes. The Service Policies was revised and changed in July, 2011; however, please discard the previously filed Service Policies and replace it with the attached.

Should you or your staff have any questions, please contact me at 903-873-2109.

Sincerely,



Rhonda Terry
Office Manager
MACBEE Special Utility District
10/12/2011

/rmt
Enclosure

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SERVICE POLICIES

**MACBEE SPECIAL UTILITY DISTRICT
PO BOX 780
WILLS POINT TX 75169-0780**

(903) 873-2109

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**MACBEE SPECIAL UTILITY DISTRICT
PO BOX 780
WILLS POINT TX 75169-0780**

(903) 873-2109

**REVISED AND ADOPTED JULY 11, 2011
CERTIFICATE OF CONVENIENCE AND NECESSITY
NUMBER 10845
SERVING THE WESTERN 1/3 OF VAN ZANDT, PART OF
KAUFMAN AND HUNT COUNTIES.**

RESOLUTION BY MACBEE SPECIAL UTILITY DISTRICT ADOPTING A SERVICE POLICY AND ESTABLISHING RATES, FEES, ADOPTING RULES AND REGULATIONS RELATING TO THE ADMINISTRATION OF ITS UTILITY SERVICES, AND PROVIDING FOR ENFORCEMENT FOR VIOLATING THIS SERVICE POLICY

WHEREAS, the MACBEE Special Utility District (the "District") operating under Chapter 65 and Chapter 49 of the Texas Water Code has provided facilities for the production and distribution of potable water to residential and business users within its authorized service areas;

WHEREAS, Section 49.212, Texas Water Code, authorizes the District to adopt and enforce all necessary charges, rates, fees, or rentals, and other terms and conditions for providing any district services;

WHEREAS, The Board of Directors has carefully considered the matter and is of the opinion that the following fees, charges, rates, rules, regulations, and enforcement procedures are necessary for the safe and efficient management of the District's utility facilities and services; NOW THEREFORE,

BE IT ORDERED BY THE BOARD OF DIRECTORS OF MACBEE SPECIAL UTILITY DISTRICT OF VAN ZANDT COUNTY, TEXAS, that the following Service Policy is adopted and establishes the fees, charges, rules, regulations, and enforcement procedures for the District's water services and shall be effective on October 8, 2007.

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VAN ZANDT COUNTY

SECTION A.
RESOLUTION & AUTHORITY

1. This Service Policy was adopted by resolution by the Board of Directors of the District on October 8, 2007. This Service Policy supersedes all utility service policies, rules and tariffs adopted or passed by the Board of Directors prior to October 8, 2007.
2. The adoption of this Service Policy shall not affect any violation or act committed or done, or any penalty or forfeiture incurred, or any contract or vested right established or accrued under any prior Service Policy.
3. An original of this Service Policy as approved shall be maintained in the records of the District and all additions, deletions and changes thereto shall be clearly exhibited.
4. Rules and regulations of state and federal agencies having applicable jurisdiction, promulgated under any applicable state or federal law, shall supersede all terms of the Service Policy that directly conflict with such state and federal rules or regulations. If any section, paragraph, sentence, clause, phrase, word or words of the Service Policy are declared unconstitutional or in violation of law, the remainder of the Service Policy shall not be affected thereby and shall remain in full force and effect.
5. This Service Policy is immediately effective upon the date of adoption unless otherwise specified.

THE STATE OF TEXAS

COUNTY OF VAN ZANDT

RESOLUTION No. 0012

THE MACBEE SPECIAL UTILITY DISTRICT FINDS AS FOLLOWS:


Section 61.012 of the Texas Election Code requires that MACBEE Special Utility District must provide at least one accessible voting system in each polling place used in a Texas election on or after January 1, 2006. This system must comply with state and federal laws setting the requirements for voting systems that permit voters with physical disabilities to cast a secret ballot.

The Office of the Secretary of State has certified that the Elections Systems and Software Model 650 Scanner (Version 1.2.0.0), AutoMARK Voter Assist Terminal (Version 1.0.121) and Model 100 Precinct Scanner (Version 5.0.0.0) is an accessible voting system that may legally be used in Texas elections.

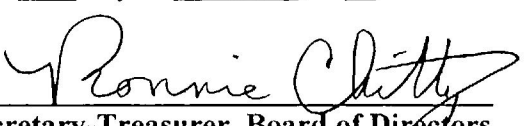
Sections 123.032 and 123.035 of the Texas Election Code authorize the acquisition of voting systems by local political subdivisions and further mandate certain minimum requirements for contracts relating to the acquisition of such voting systems

As chief elections officer of the MACBEE Special Utility District, the District Secretary shall provide at least one Direct Recording Electronic Voting Machine in each polling place in every polling location used to conduct any election ordered by any legal means available to MACBEE Special Utility District, including but not limited to lease or rental from the County of Van Zandt or from any other legal source, as authorized or required by Sections 123.032 and 123.035, Texas Election Code.

PASSED BY VOTE AND APPROVED this 13th day of February, 2006.



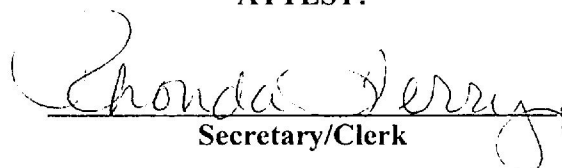
President, Board of Directors,
Presiding Officer



Secretary-Treasurer, Board of Directors



ATTEST:



Secretary/Clerk

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COUNTY CLERK
VAN ZANDT
COUNTY

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10. Right-of-Way Easement Denial Form and Affidavit
11. Final Notice

SECTION B.
STATEMENTS

REGISTERED
TO BE
MAINTAINED
2011 OCT 17 07:11

1. **Organization.** The MacBee Special Utility District is a Political Subdivision of the State of Texas organized and operating under Chapters 49 and Chapter 65 of the Texas Water Code for the purpose of furnishing potable water service to the western 1/3 of Van Zandt and part of Kaufman and Hunt Counties. The management of the District is supervised by the Board of Directors which is responsible for adopting all District Service Policies, rates and regulations. The members of the Board of Directors are elected by the registered voters residing within the District's boundaries.
2. **Non-Discrimination Policy.** Service is provided to all Applicants who comply with the provisions of this Service Policies regardless of race, creed, color, national origin, gender, disability, or marital status.
3. **Policy and Rule Application.** These policies, rules, and regulations apply to the water (and/or sewer) services provided by the District. Failure on the part of the Customer or Applicant to observe these policies, rules and regulations gives the District the authority to deny or discontinue service according to the terms of this Service Policies as amended from time to time by the Board of Directors of the District.
4. **District Bylaws.** The District Board of Directors has adopted bylaws which establish the make-up of the Board of Directors and other important regulations of the District. The bylaws are on file at the District's office.
5. **Fire Protection Responsibility.** The District does not provide nor imply that fire protection is available on any of the distribution system. All hydrants or flush valves are for the operation and maintenance of the system and may be used by authorized fire departments in accordance with a contract with the District to supply water for use in fire suppression. Any hydrant, flush valve or similar fixture painted black is not available for fire flow and shall not be used for such purposes according to state law. The District reserves the right to remove any hydrant, due to improper use or detriment to the system as determined by the District, at any time without notice, refund, or compensation to the contributors unless such hydrants are installed pursuant to the terms of a Non-Standard Service Contract as provided for in Section F, in which event the terms and conditions of the Contract shall apply.
6. **Damage Liability.** The District is not liable for damages caused by service interruptions, events beyond its control, and for normal system failures. The limits-of-liability of the MacBee Special Utility District is the extent of the cost of service provided. By acceptance of the potable water service provided, the customer consents to waiver of such liability.
7. **Information Disclosure.** The records of the District shall be kept in the District's office in Wills Point, Texas. All information collected, assembled or maintained by or for the District shall be disclosed to the public in accordance with the Texas Public Information Act. **In no event and under no circumstances shall the District disclose the Social Security Number of any**

customer/applicant to any person other than an employee of the District. A reasonable charge as established pursuant to the Texas Public Information Act may be assessed to any person requesting copies of District records. An individual customer may request in writing that their address, telephone number, and account records be kept confidential. Such confidentiality does not prohibit the District from disclosing this information to an official or employee of the state or a political subdivision of the state acting in an official capacity or an employee of the District acting in connection with the employee's duties or as otherwise authorized by Chapter 182, Subchapter B of the Texas Utilities Code. Further, such confidentiality does not prohibit the District from disclosing the name and address of each customer entitled to vote on a list to be made available to the District's voting customers, or their agents or attorneys, in connection with a meeting of the District's customers. The District shall give its applicants and customers notice of rights to confidentiality under this policy and all prevailing associated fees for such request.

8. **Customer Notice Provision.** The District shall give written notice of a monthly rate changes by publication, mail or hand delivery to all affected customers at least thirty (30) days prior to the effective date of the new rate. The notice shall contain the old rates, new rates, effective date of the new rates, date of Board authorization, and the name and phone number of the District's contact person designated to address inquiries about the rate changes. Failure of the District to give the notice shall not invalidate the effective date of the change, the amount of the newly adopted rate nor any charge incurred based on the new rate.
9. **Grievance Procedures.** Any customer of the District or individual demonstrating an interest under the policies of this Service Policies in becoming a Customer of the District shall have an opportunity to voice concerns or grievances to the District by the following means and procedures:
 - a. By presentation of concerns to the District's manager or authorized staff member. If not resolved to the satisfaction of the aggrieved party then,
 - b. By presenting a letter to the Board of Directors stating the individual's grievance or concern and the desired result.
 - c. The Board of Directors shall respond to the complaint by communicating the Board's decision in writing.
 - d. Any charges or fees contested as a part of the complaint in review by the District under this policy shall be suspended until a satisfactory review and final decision has been made by the Board of Directors.
10. **Customer Service Inspections.** The District requires that a customer service inspection certification be completed prior to providing continuous water service to new construction and for all new customers as part of the activation of standard and some non-standard service. Customer service inspections are also required on any existing service when the District has reason to believe that cross-connections or other potential contaminant hazards exists, or after any material improvement, correction or addition to the customer's water distribution facilities. This inspection is limited to the identification and prevention of cross connections, potential contaminant hazards and illegal lead materials. (30 TAC 290.46(j)) (See Service Policies Section G.22.)
11. **Submetering Responsibility.** Submetering and Non-Submetering by Master Metered Accounts may be allowed in the District's water distribution system provided the Master Metered Account customer complies with the Texas Commission on Environmental Quality Chapter 291, Subchapter H rules pertaining to Submetering. The District has no jurisdiction over or

responsibility to the tenants; tenants receiving water under a Master Metered Account are not considered customers of the District. Any interruption or impairment of water service to the tenants is the responsibility of the Master Metered Account Customer. Any complaints regarding sub-metering should be directed to the Texas Commission on Environmental Quality.

NOTE: The system should check with the Master Metered Account Customer to:

1. *See if they have registered with the TCEQ, (Section 13 Texas Water Code Subchapter M.)*
 2. *See that they do not charge their tenants more than the total amount of charges that you have billed. If the aggregate bill is greater than the District's charge, the Master Metered Account Customer is considered by the TCEQ to be a separate Public Water System and will be required to comply with all TCEQ regulations.*
 3. *Protect the System's CCN. Should the Master Metered Account Customer continue to violate these or other State regulations, the District will need to request a Cease and Desist Order from the TCEQ. (Texas Water Code Section 13.252 and 30 TAC Section 291.118)*
12. **Use of Collected Funds.** All water revenues collected by the District shall be placed in not less than two separate funds for (1) debt service and (2) water system operation and maintenance. Each fund shall be spent only for its designated purpose. The District shall maintain such accounting procedures and control of expenditures as necessary to ensure that all funds are spent as designated.

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SECTION C. DEFINITIONS

Active Service – The status of any customer receiving authorized service under the provisions of this Service Policies.

Applicant – A person, partnership, cooperative corporation, corporation, agency, public or private organization of any type applying for service with the MacBee Special Utility District.

Authorized Representative or District Representative -- The General Manager of the District or a representative or employee of the District engaged in carrying out the terms of or performing services prescribed by this Service Policies pursuant to either general or specific authorization to do so from the General Manager or the Board of Directors of the District.

Board of Directors – The governing body of the District elected by the registered voters within the District's boundaries in accordance with the applicable election laws.

Bylaws -- The rules pertaining to the governing of the MacBee Special Utility District adopted by the Board of Directors.

Capital Contribution Fee – Each Applicant shall be required to achieve parity with the contributions to the construction of the Districts' facilities capacity that have been made previously by existing Customers. This fee shall be assessed prior to providing or reserving service on a per-service unit basis for each property and shall be assigned and restricted to that property for which the service was originally requested. (Service Policies Section G. 6, also see Miscellaneous)

Certificate of Convenience and Necessity (CCN) -- The authorization granted under Chapter 13 Subchapter G of the Texas Water Code for the MacBee Special Utility District to provide water and/or sewer utility service within a defined territory. The MacBee Special Utility District has been issued Certificate Number 10845. Territory defined in the CCN shall be the Certificated Service Area. (see Service Policies Section D. Certificated Service Area Map)

Customer -- Any person, corporation, organization, government or governmental subdivision or agency, business trust, estate, trust, partnership, association, or any other legal entity having MacBee Special Utility District's service at any specified premises designated to receive service.

Defined Service Area – That area within which water (and/or sewer) services are provided to customers and that includes the area within the District's boundaries (and/or the area described within CCN Number 10845).

Deposit -- A non-interest bearing fee as set by the Board of Directors based upon the size of the water meter which is held by the District as security for service being rendered. The deposit fee shall be refundable upon termination of service. (30 TAC 291.3 Definitions, Texas Water Code 13.043(g), Article 1434a, Tex. Rev. Civ. Stat. Sec. 9. A.(c))

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

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Disconnection of Service -- The discontinuance of water service by the District to a Customer.

District -- The MacBee Special Utility District.

District's Water System -- The water production, treatment, and distribution facilities operated or to be constructed by the District as currently operating and any water system extensions or improvements which may be built within the District in the future.

Easement -- A private perpetual dedicated right-of-way for the installation of water (and/or sewer) pipelines and necessary facilities which allows access to property for future operation, maintenance, facility replacement, facility upgrades, and/or installation of additional pipelines (if applicable). This may also include restrictions on the adjacent area to limit the installation of sewer lines or other facilities that would restrict the use of any area of the easement. (See Form FmHA-TX 442-8 (Rev. 6-06)). The easement will be filed in the real property records of the appropriate county or counties. The District maintains and occasionally updates a standard easement which must be provided prior to service to a new customer or new service connection.

Final Plat -- A complete plan for the subdivision of a tract of land showing or referencing Local Tax Appraisal Maps, access to public road(s), number and size lots, location of dedicated water/sewer easements, and location(s) of lakes, streams, or rivers through the property. The MacBee Special Utility District shall determine if a plat submitted for the purpose of the Service Policies shall qualify as a final plat. For purposes of evaluating Sub-Division service requests under Section F. the District may accept preliminary plats or plats awaiting final approval pending execution of agreement for service by the District.

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

Indication of Interest Fee -- A fee paid by a potential customer of the District for the purpose of determining the feasibility of a construction and/or expansion project. The Indication of Interest Fee may be converted to a Deposit upon determination that service to the Applicant is feasible and available. This also applies to applicants applying for, or receiving, Temporary Service. (Service Policies Section E., and Sample Application Packet - USDA Form RUS-TX Bulletin 1780-9 (Rev. 01/09))

Liquidated Deposit -- A Deposit which has been cancelled due to delinquent charges exceeding the Deposit Fee or for other reasons as specified in this Service Policies.

Master Meter -- A meter that serves two or more connections and is installed in accordance with the requirements set forth in Section E of this Service Policies.

Proof of Ownership -- For the purpose of this Service Policies, applicants for service shall provide proof of ownership of the real estate to be served by deed of trust, warranty deed, or other recorded documentation. (Texas Water Code 67.016 (d))

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

Re-Service -- Providing service to an Applicant at a location for which service previously existed and

at which there is an existing tap for a meter. Costs of such re-servicing shall be based on justifiable expenses. (See Service Policies Section E.5.b., and Miscellaneous)

Revenues – Any funds received for water service, tap fees, service charge fees, disconnect fees, reconnection fees or any and all other charges except for service deposits that may be charged and collected by the District from the ownership and operation of its water system.

Rural Utilities Service (RUS) – An Agency of the United States Department of Agriculture Rural Development Mission Area that provides loan and grant funds for development of rural water and sewer systems serving communities with a population of less than ten thousand (10,000) people.

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

Service Application and Agreement -- A written agreement between the Applicant/Customer and the District defining the specific type of service requirements requested on the current service application and agreement form, and the responsibilities of each party required before service is furnished. (See Sample Application Packet RUS-TX Bulletin 1780-9 (Rev. 01/09) or Non-Standard Service Contract)

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

Service Policies – The operating policies, service rules, service extension policy, service rates, rationing policies, sample application packet, and miscellaneous transaction forms adopted by the Board of Directors. A copy of this Board approved Service Policies is on file at the District office as required since 1990 at the State office of the TCEQ.

Subdivide – To divide the surface area of land into lots or tracts. (Local Government Code Section 232.021(11) Definitions, Texas Water Code Section 13.2502(e) (1))

Sub-divider – An individual, firm, corporation, or other legal entity that owns any interest in land and that directly or indirectly subdivides land into lots as a part of a common promotional plan in the ordinary course of business. (Local Government Code Section 232.021(12) Definitions)

Subdivision – An area of land has been subdivided into lots or tracts. (Local Government Code Section 232.021(13) Definitions)

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

Texas Commission on Environmental Quality (TCEQ) -- State regulatory agency having jurisdiction of water and sewer service utilities and appellate jurisdiction over the rates and fees charged by the District.

SECTION D.
GEOGRAPHIC AREA SERVED

CERTIFICATE OF CONVENIENCE AND NECESSITY

To Provide Water Service Under V.T.C.A., Water Code
and Texas Commission on Environmental Quality Substantive Rules

Certificate No. 10845

Certificate Holder:

Name: MACBEE Special Utility District
Address: PO Box 780
 Wills Point, Texas 75169-0780

I. General Description and Location of Service Area:

The District has a service area of approximately 200 sq. miles in the western one-third of Van Zandt and north-eastern Kaufman and southern Hunt Counties. The facility is composed of (1)-2MGD Surface Water Treatment Plant and (5) pressure plains with booster stations and (2)-500 ft. deep wells serving the south most part of the service area.

II. Certificate Maps:

The certificate holder is authorized to provide water service in the area identified on the Commissions official service area map, WRS-255, maintained in the offices of the Texas Commission on Environmental Quality, PO Box 13087, Austin, Texas with all attendant privileges and obligations.

This certificate is issued under Application No. 30999-C and subject to the rules and orders of the Commission, the laws of the State of Texas, conditions contained herein and may be revoked for violations thereof. The certificate is valid until amended or revoked by the Commission.

Issued Dated: December 19, 2002

ATTEST: _____

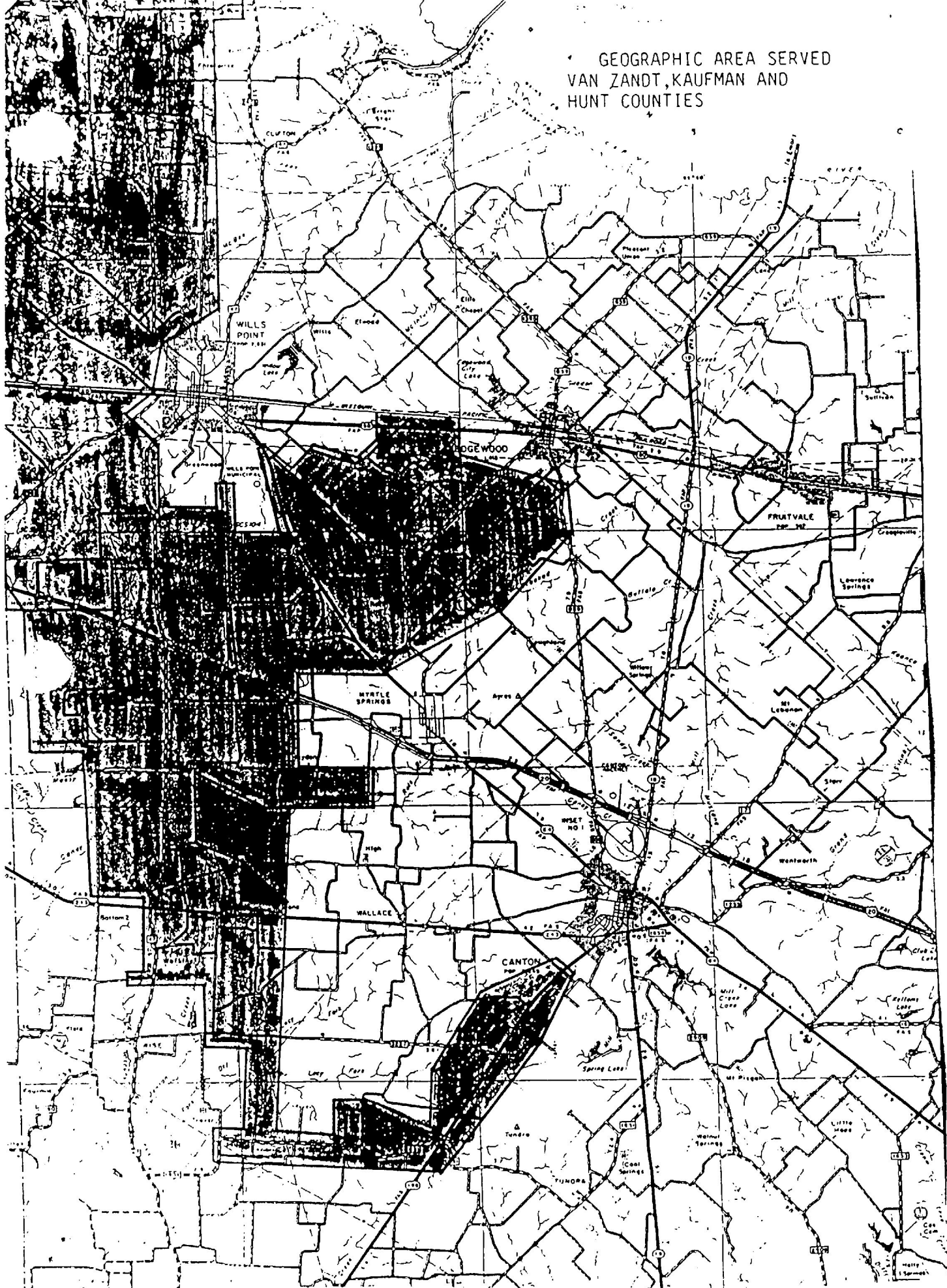
For the Commission

MAP OF CCN AREA

(insert your map here)

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T.C. COMMISSION
OFFICE
AUSTIN, TEXAS

GEOGRAPHIC AREA SERVED
VAN ZANDT, KAUFMAN AND
HUNT COUNTIES



SECTION E.
DISTRICT SERVICE RULES AND REGULATIONS

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WATER SUPPLY DIV.

1. **Service Entitlement.** The Applicant(s) shall be considered qualified and entitled to water utility service when proper application has been made, terms and conditions of Service have been met and continue to be met, and all fees have been paid as prescribed. (30 TAC 291.85 (a)) An Applicant requesting service outside the District's boundaries or defined service area shall be considered for service in accordance with current District policies on providing service outside the District boundaries or CCN service area.

2. **Service Location and Classification.** For the purposes of this Service Policies, service requested by an Applicant(s) shall be for real estate designated to receive the service provided by the District. Service shall be through a meter tap located on that designated real estate unless otherwise approved by the board. Service shall be divided into the following two classes:
 - a. **Standard Service** is defined as service on an existing pipeline where pipeline or service facility extensions are not required and special design and/or engineering considerations are not necessary. Typically, this would include 5/8" X 3/4" or 3/4" sized water meter services set on existing pipelines.
 - b. **Non-Standard Service** is defined as any service request that requires a larger meter service, service to a Master Metered Account (see E. 24 of this section), or an addition to the supply, storage and/or distribution system. The service requirements as prescribed by Section F of this Service Policies shall be required of the Non-Standard Service Applicant prior to providing service. The District shall make a determination as to the appropriate size and type of meter to serve non-standard applicants.

3. **Service Requirements.** The District's Service Application and Agreement Form shall be completed in full and signed by the Applicant(s). Where applicable in addition to the applicant any other person sharing an ownership interest in and receiving service at that property shall sign the Service Application and Agreement Form; however, even if the spouse or other person sharing an ownership interest does not sign the Service Application and Agreement Form, they are still responsible for all terms set forth therein, and for any debt obligation related to the account. (See Sample Application RUS-TX Bulletin 1780-9 (Rev. 01/09))
 - a. A Right-of-Way Easement Form, Sanitary Control Easement, or other such easement form, required by the District, must be completed by the Applicant for the purpose of allowing future facility additions. (See Sample Application - RUS-TX Bulletin 1780-9 (Rev. 01/09), 30 TAC 290.47 Appendix C.) *Note:* This requirement may be delayed for Non-Standard Service requests.
 - b. The Applicant shall provide proof of ownership to property for which service has been requested in a manner acceptable to the District. Proof of ownership shall consist of warranty deed, deed of trust or other recordable documentation of title to the real estate designated to receive service. (Texas Water Code 67.016 (e), and 13.002 (11)).
 - c. On the request by the property owner or owner's authorized agent, the District shall install individual meters owned by the District in an apartment house, manufactured home rental community, multiple use facility, or condominium on

which construction begins after January 1, 2003, unless the District determines that installation of individual meters is not feasible. If the District determines that installation of meters is not feasible, the property owner or manager shall install a plumbing system that is compatible with the installation of sub-meters or individual meters. The District shall be entitled to the payment of costs, including the costs of individual meter installations, as provided in Section F. 3-4. The cost of individual meter installation shall be prepaid by the property owner as well as the cost of any additional facilities or supply occasioned by the total water service demand represented by full occupancy of the property, as determined under applicable provisions of Section F. It shall be the responsibility of the property owner to obtain the deposit fees required for each individual meter.

- d. Notice of application approval and costs of service determined by the District shall be presented to the Applicant in writing and shall remain in effect for a period not to exceed thirty (30) days. After that time the Applicant must re-apply for service. (30 TAC 291.81 (a) (1))
- e. 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 District for the purpose of installing the water main and appurtenances, and the District has documentation of such refusal, the Applicant, prior to receiving the requested service, shall grant easement required under this Service Policies and in addition to the normally required fees for new customer service, shall pay such sums as are reasonably necessary to cap the existing line in the ROW and construct the appropriate line or lines within that easement for the District's system-wide service. (See Miscellaneous Transaction Forms)
- f. If an Applicant fails to provide all documentation required at the time of application, the District will issue written notice informing the applicant they have 10 days in which to provide the proper information or the service will be terminated. This will apply to Standard or Non-Standard Service request(s). (See Miscellaneous Transaction Forms - APPLICANT'S NOTICE OF INSUFFICIENT INFORMATION)

4. **Ownership of equipment.** All water meters and equipment and materials required to provide potable water service to the point of customer connection; water meter or service tap, is the property of the District upon installation, and shall be maintained by the water system only.

5. **Activation of Standard Service.**

- a. **New Tap** -- The District shall charge a non-refundable service installation fee as required under Section G of this Service Policies. The service installation fee shall be quoted in writing to the Applicant. All fees shall be paid in advance of installation. (30 TAC 291.86 (a) (1) (A))
- b. **Re-Service** -- On property where service previously existed, the District shall charge the Deposit Fee (where the Deposit Fee has been liquidated or refunded), reconnection costs, any delinquent charges if the applicant is the person that previously incurred those charges, and other applicable costs necessary to restore service.

c. **Performance of Work** -- All tap and equipment installations specified by the District shall be completed by the District staff or designated representative after all application requirements have been met. No person, other than the properly authorized agent of the District, shall be permitted to tap or make any connection to the mains or distribution pipes of the District's water system, or make any repairs or additions to or alterations in any tap, pipe, cock or other fixture connected with the water service pipe. The tap for a standard service request shall be completed within (10) ten working days whenever practicable, but not later than (10) ten working days after approval and receipt of payment of quoted fees and all required documentation on the property designated to receive service. This time may be extended for installation of equipment for Non-Standard Service Request. (see Section F)

d. **Inspection of Customer Service Facilities** -- The property of the Applicant/Customer shall be inspected to insure compliance with state required Minimum Acceptable Operating Practices For Public Drinking Water Systems as promulgated by the Texas Commission on Environmental Quality or successor agency. The customer must, at his or her expense, properly install, inspect, test, maintain and provide all required documentation of any approved backflow prevention device required by the District. (30 TAC 290.46(j); Service Agreement Form)

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6. **Activation of Non-Standard Service.** Activation of Non-Standard Service shall be conducted as prescribed by terms of Section F of this Service Policies.

7. **Changes in Service Classification.** If at any time the District determines that the customer service needs have changed from those originally applied for to a different service classification and the District determines that additional or different facilities are necessary to provide adequate service, the District shall require the Applicant/Customer to re-apply for service under the terms and conditions of this Service Policy. Applicants/Customers failing to comply with this provision shall be subject to the Disconnection with Notice Provisions of this Service Policies, Section E. 17 (examples: addition of lawn or irrigation equipment, poultry or other livestock activities, industry, manufacturing, additional trailer spaces (in an RV or Mobile Home park) or other water consuming enterprises, etc).

8. **Owners and Renters.** Any property owner having complied with the requirements of this Service Policies, renting or leasing property designated to receive service according to the terms of this Service Policies to other parties, is responsible for all charges due the District. The District may bill the renter or lessee for utility service at the receipt of a deposit paid by the renter or lessee. The property owner shall take responsibility for any necessary deposits from the renter/lessee to ensure payment of a past due bill in the event the owner leaves the billing in his name. The District may notify the property owner of the renter's past due payment status subject to service charges (see Section: Miscellaneous Transaction Forms).

9. **Denial of Service.** The District may deny service for the following reasons:

a. Failure of the Applicant or Customer to complete all application requirements,

including granting an easement, completing all forms, and pay all required fees and charges;

- b. Failure of the Applicant or Customer to comply with rules, regulations, policies, and bylaws of the District;
- c. Existence of a hazardous condition at the Applicant's or Customer's property which would jeopardize the welfare of other customers/consumers of the District upon connection;
- d. Failure of Applicant or Customer to provide representatives or employees of the District reasonable access to property for which service has been requested;
- e. Failure of Applicant or Customer to comply with all governmental rules and regulations of the District's Service Policies on file with the state regulatory agency governing the service applied for by the Applicant;
- f. Failure of Applicant or Customer to provide proof of ownership, to the satisfaction of the District, of property for which the tap has been requested, and/or
- g. Applicant's or Customer's service facilities are known to be inadequate or of such character that satisfactory service cannot be provided.
- h. Failure of the Applicant or Customer to pay any previous outstanding delinquent account(s) in full. This could be delinquencies resulting from the same account location or other service location(s) within the system where the Applicant or Customer received service.

10. ***Applicant's or Customer's Recourse.*** In the event the District refuses to serve an Applicant under the provisions of these rules, the District must notify the Applicant, in writing, on the basis of its refusal. The Applicant may file for an appeal, in writing, with the Board of Directors of the District.

11. ***Insufficient Grounds for Refusal of Service.*** The following shall not constitute sufficient cause for the refusal of service to an Applicant:

- a. Delinquency in payment for service by a previous occupant of the premises to be served;
- b. Failure to pay a bill to correct previous under-billing due to misapplication of rates more than six (6) months prior to the date of application;
- c. Violation of the District's rules pertaining to operation of non-standard equipment or unauthorized attachments which interfere with the service of others, unless the customer has first been notified and been afforded reasonable opportunity to comply with said requirements;
- d. Failure to pay a bill of another customer as guarantor thereof unless the guarantee was made in writing to the District as a condition precedent to service;
- e. Failure to pay the bill of another customer at the same address except where the change of customer identity is made to avoid or evade payment of a utility bill; or
- f. Failure to comply with regulations or rules for anything other than the type of utility service specifically requested including failure to comply with septic tank regulations.

12. ***Deferred Payment Agreement.*** The District may offer a deferred payment plan to a Customer who cannot pay an outstanding balance in full and is willing to pay the balance in reasonable installments as determined by the District, including any Late Penalty Fees or interest on the monthly balance to be determined as per agreement. (See Miscellaneous Transaction Forms) Limitations have been set for the amount of time allowed for a Customer

to pay an outstanding balance in this manner:

- a. Billings in the amount of \$500.00 or less are to be paid in installment payments for no more than a 12-month period.
- b. Billings in the amount of \$501.00 up to \$1,000.00 are to be paid in installment payments for no more than an 18-month period.
- c. Billings in an amount more than \$1,000.00 will be limited to be paid in installment payments for no more than a 24-month period.

Failure to make required and timely payments as provided in any deferred payment agreement will void that agreement and service will be discontinued. The District may consider another deferred payment agreement provided payments will be made by automatic bank draft or credit/debit card. Non-payment of any amount under an additional deferred payment agreement will cause service to be disconnected immediately and service will not be restored until the account is paid in full and all other charges resulting from the disconnection of service are fully paid. In the event the requestor is a tenant of rental property the District shall notify the owner of the deferred payment agreement.

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13. Charge Distribution and Payment Application.

- a. **The Service Availability Charge** is billed on a monthly basis. Charges shall be prorated for meter installations and service terminations falling during the billing period. Billings for this amount shall be mailed on or about the 25th of the month preceding the month for which this charge is due. All services shall be subject to this charge whether or not the service is in use by the Customer/Consumer/Owner of the property.
- b. **Gallonge Charge** shall be billed at the rate specified in Section G and billing shall be calculated in one hundred (100) gallon increments. Water charges are based on monthly meter readings and are calculated from reading date to reading date. Readings used in all billing calculations shall be taken by the District's employees or designated representative.
- c. **Posting of Payments** -- All payments shall be posted against previous balances prior to posting against current billings.
- d. **Forms of Payment:** The District will accept the following forms of payment: cash, personal check, cashier's check, money order, credit/debit card, e-check or draft on bank. The District will not accept two-party checks, payroll checks, or any other instrument of payment that is not made payable to the District. The District reserves the right to require exact change and may refuse to accept payments made using more than \$1.00 in coins. The District will not assess the credit card processing fee associated with credit card payments to those customers which make payment by credit card in accordance with consumer laws.

14. Due Dates, Delinquent Bills, and Service Disconnection Date.

- a. The District shall mail all bills on or about the 25th of the month. All bills are considered the responsibility of each person signing the Service Application and Agreement Form. All bills shall be due and payable upon receipt and are past due beyond the date indicated on the bill (allowing approximately fifteen (15) days for receipt of payment), after which time a penalty shall be applied as described in Section G. A bill is delinquent if not paid on or before the past due date. Payments made by mail will be considered late if postmarked after the past due date. There is no grace period allowed for delayed payments prior to mailing of final notices. Final notices

shall be mailed allowing ten (10) additional days for payment to be received prior to disconnection. The ten (10) additional days shall begin on the day the final notice is deposited with the U.S. Postal Service with sufficient postage. If the past due date for the regular or final billing is on a weekend or holiday, the past due date for payment purposes shall be the next day the District 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.

- b. The Board of Directors or the General Manager may elect to not charge a late fee or disconnect fee in accordance with this Service Policies during or after the occurrence of a natural disaster or other incident that impacts the property of Customers/Consumers or interrupts the management and operation of the system.
- c. Upon written request, any residential customer 60 years of age or older who occupies the entire premises of a dwelling receiving water utility service from the District shall receive extension of the past due date, without penalty. The extension shall not exceed 10 days beyond the usual 15-day payment period for a total of no more than 25 days from the date the bill is issued. The request may specify extension of the late payment periods for current and subsequent billings. (Utilities Code Sections 182.001 – 182.005) If this request originates from a tenant at a rental property the Owner will be notified in writing of any extension request.

15. **Rules for Disconnection of Service.** The following describes the rules and conditions for disconnection of service. Notwithstanding any language to the contrary in the Service Application and Agreement Form, the District may only discontinue service for the reasons set forth in this Section.

- a. **Disconnection with Notice** -- Water utility service may be disconnected for any of the following reasons after proper notification has been given (unless other arrangements or extensions have been granted).
 - 1) **Returned Checks** – The District shall mail, via the U.S. Postal Service, a notice requiring redemption of the returned instrument within ten (10) days of the date of the notice to be made in the District office. Redemption of the returned instrument shall be made by cash, money order, or certified check. Failure to meet these terms shall initiate disconnection of service. (See Miscellaneous Transaction Forms) Any such instruments returned as insufficient or non-negotiable for any reason for any two billing periods within a 12-month period shall be considered evidence of bad credit risk by the District. The Customer in violation shall be placed on a “cash-only” basis for a period of 12 months. **NOTE:** “cash-only” means certified check, money order, or cash.
 - 2) Failure to pay a delinquent account for utility service, failure to timely provide a deposit or failure to comply with the terms of a deferred payment agreement (Miscellaneous Transaction Forms);
 - 3) Violation of the District'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 Customer and the Customer is provided with a reasonable opportunity to remedy the situation;
 - 4) Failure of the Customer to comply with the terms of the District's Service Agreement, Service Policies, Bylaws, or Special Contract provided that the District has given notice of said failure to comply, and the Customer has failed to comply within a specified amount of time after notification. (Including but not limited to

failure to provide: an easement, properly completed documents, etc.)

- 5) Failure to provide access to the meter under the terms of this Service Policies or to property at which water service is received when there is reason to believe that a hazardous condition or policy violation exists for which access is necessary to verify.
 - 6) Misrepresentation by any Applicant or Customer of any fact on any form, document, or other agreement required to be executed by the District.
 - 7) Failure of the Customer to re-apply for service upon notification by the District that the Customer no longer meets the terms of the service classification originally applied for under the original service application.
 - 8) Failure to pay charges for repairs made by the District according to signed "MEMBER'S EMERGENCY REPAIR REQUEST AGREEMENT" with the next monthly water service bill or by entering into a payment extension agreement within the prescribed payment period. (See Miscellaneous Transaction Forms - Applicant Emergency/Repair Request Agreement.)
 - 9) Failure to pay charges arising from service trip fee as defined in Section G.11., meter re-read fee, or meter read fee when customer on self-read plan failed to submit their meter reading.
 - 10) Failure by a Customer to pay for all repair or replacement costs resulting from the Customer damaging system facilities including, but not limited to water lines, service taps, meter boxes, valves, or meters by engaging in activities such as property excavations, installment of a driveway or roadway requiring encasements, lowering or re-routing of lines or system components, or by any other action. The District will provide the Customer with notice detailing the extent of the damage, the location of the damage, the cost of repair, and whether the damage occurred on private property or on a public right-of-way. Failure to pay the cost of repair or replacement will result in the Customer's service being disconnected in accordance with the Disconnection with Notice Provisions in this Section. Service will remain disconnected until payment is received or an acceptable payment plan is approved.
 - 11) Failure to disconnect or secure additional service tap(s) for an RV or other service connection (See E. 25 of this Section) after notification by the District of violation of the Prohibition of Multiple Connections.
- b. **Disconnection without Notice** -- Water utility service may be disconnected without notice for any of the following conditions:
- 1) A known dangerous or hazardous condition exists for which service may remain disconnected for as long as the condition exists, including but not limited to a public health nuisance under Chapter 341.011 of the Health and Safety Code. If there is reason to believe a dangerous or hazardous condition exists, the District may conduct a customer service inspection (CSI) to verify the hazardous condition and may notify the local county health office. The District will disconnect without notice if the Customer refuses to allow access for the purpose of confirming the existence of such condition and/or removing the dangerous or hazardous condition (30 TAC 290.46 (j) and 290.46(i)) Service will be restored when a CSI confirms no health hazard exists, the health hazard has been removed or repaired, or the health hazard has been isolated from the District's water system by the installation of a backflow prevention device.
 - 2) A line break on the Customer's side of the meter is considered a potential hazardous condition under b (1). If the District conducts a CSI and discovers that

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the line leak has created a hazardous condition, the District will provide the Customer up to five (5) business days, or another time period determined reasonable under the circumstances, to repair the line prior to disconnection of service.

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

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

- 5) When a returned check is received on an account that was scheduled for disconnection of service shall be immediately disconnected in accordance with the standard delinquent account policy. Notice shall be provided by same day mail or hand-delivery that insufficient check was received. Notice shall state the hours and location where this insufficient check can be redeemed to allow service to be re-connected.

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

- 1) Failure of the Customer to pay for merchandise or charges for non-utility service provided by the District, unless an agreement exists between the Applicant and the District whereby the Customer guarantees payment of non-utility service as a condition of service;
- 2) Failure of the Customer to pay for a different type or class of utility service unless a fee for such service is included in the same bill;
- 3) Failure of the Customer 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;
- 4) Failure of the Customer to pay the account of another Customer as guarantor thereof, unless the District has in writing the guarantee as a condition precedent to service;
- 5) Failure of the Customer 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 under the Inoperative Meters subsection E. 16 of this Service Policies.
- 6) Failure of the Customer to pay estimated bill other than a bill rendered pursuant to an approved meter reading plan, unless the District is unable to read the meter due to circumstances beyond its control;
- 7) In response to a request for disconnection by an Owner/Customer of rental property where the renter is billed directly by the District as authorized by the owner, and the renter's account is not scheduled for disconnection under the Rules for Disconnection of Service in this Service Policies.

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

- e. **Disconnection Due to Utility Abandonment** -- The District may not abandon a Customer or a Certificated Service Area without written notice to its Customers and all similar neighboring utilities and approval from the Texas Commission on Environmental Quality.
- f. **Disconnection for Ill Customers** -- The District may not discontinue service to a delinquent residential Customer or tenant permanently residing in an individually metered dwelling unit when that Customer or tenant establishes that discontinuance of service will result in some person at that residence becoming seriously ill or more seriously ill if service is discontinued. To avoid disconnection under these circumstances, the Customer or tenant must provide a written statement from a physician to the District prior to the stated date of disconnection. Service may be disconnected in accordance with Subsection (a) of the Section if the next month's bill and the past due bill are not paid by the due date of the next month's bill, unless the Customer or tenant enters into a Deferred Payment Agreement (See Miscellaneous Transaction Forms). The District shall provide notice to an owner of rental property in the event a tenant requests service not be discontinued due to illness as per this subsection.
- g. **Disconnection of Master-Metered Accounts** -- When a bill for water utility services is delinquent for a master-metered service complex (defined as a complex in which a single meter serves two (2) or more residential dwelling units), the following shall apply: (30 TAC 291.126)
 - 1) The District shall send a notice to the Customer as required. This notice shall also inform the Customer that notice of possible disconnection will be provided to the tenants of the service complex in five (5) days if payment is not rendered before that time.
 - 2) At least five (5) days after providing notice to the Customer and at least five (5) days prior to disconnection, the District shall post notices, stating "Termination Notice" in public areas of the service complex notifying the residents of the scheduled date for disconnection of service.
 - 3) The tenants may pay the District for any delinquent bill in behalf of the owner to avert disconnection or to reconnect service to the complex.
- h. **Disconnection of Temporary Service** -- When an applicant with a Temporary service fails to comply with the conditions stated in the Service Application and Agreement Form or other rules of this Service Policies service may be terminated with notice.

16. **Billing Cycle Changes.** The District reserves the right to change its billing cycles if the workload should require such practice. After a billing period has been changed, the billings shall be sent on the new change date unless otherwise determined by the District.

17. **Back-billing.** The District may back-bill a Customer for up to four (4) years (48 months) for meter error, misapplied meter multiplier, incorrect meter readings, or error in computing a Customer's bill. Failure to pay the most recent six (6) months billing will result in disconnection of service. Back-billing shall not extend beyond the current Deposit amount.

18. **Disputed Bills.** In the event of a dispute between the Customer and the District regarding any bill, the District shall forthwith make and conduct an investigation as shall be required by the particular case, and report the results in writing thereof to the Customer. All disputes under this Subsection must be submitted to the District, in writing, prior to the due date posted on

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said bill.

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 District 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.***

- a. Due to Meter Error. The District shall test any Customer's meter upon written request of the Customer. 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 Service Policies 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 the current Deposit amount. The billing adjustment shall be made to the degree of the meter's inaccuracy as determined by the test. The Customer shall complete a Meter Test Request Form prior to the test. (See Misc. Transaction Forms.)
- b. Due to Estimated Billing. If the District has estimated usage because the District is unable to access the meter due to circumstances beyond the District's control, such as a natural disaster; or because access is hindered or denied by a Customer, the District shall adjust the bill once access has been regained and actual usage is determined.

21. ***Meter Tampering and Diversion.***

- a. For purposes of this Section, the term "Tampering" shall mean meter-tampering, by-passing, or diversion of the District's service equipment, or other instances of diversion, including:
 1. Removing a locking or shut-off device used by the District to discontinue service,
 2. Physically disorienting the meter,
 3. Attaching objects to the meter to divert service or to by-pass,
 4. Inserting objects into the meter,
 5. Other electrical and mechanical means of tampering with, by-passing, or diverting service, and
 6. Preventing the supply from being correctly registered by the metering device due to adjusting the valve so that flow is reduced below metering capability.
 7. The use of unauthorized taps or connections to any District pipe(s) or appurtenances to acquire water or service. (Flush valves, tanks, wells, treatment plants and mains or service lines)

The burden of proof of Tampering is on the District. Photographic evidence or any other reliable and credible evidence may be used; however, any evidence shall be accompanied by a sworn affidavit by the District's staff when any action regarding Tampering is initiated. A applicable. Unauthorized users of services of the District shall be prosecuted to the extent

allowed by law under the Texas Penal Code Section 28.03.

- b. If the District determines under subsection (a) that Tampering has occurred, the District shall charge the offending party the total actual loss to the District, including the cost of repairs, replacement of damaged facilities, and lost water revenues.
- c. In addition to actual damages charged under subsection (b), the District may assess a penalty against the offending party. The penalty shall not exceed six (6) times the Service Availability Charge.

Note: For purposes of this Section, "offending party" means the person who committed the Tampering. So, for example, in an owner/tenant situation where the tenant committed the Tampering, the District cannot charge a penalty to the owner.

22. Meter Relocation. Relocation of services shall be allowed by the District provided that:

- a. The relocation is limited to the existing property designated to receive service;
- b. A current easement for the proposed location has been granted to the District;
- c. The Customer pays the actual cost of relocation plus administrative fees, and
- d. Service capacity is available at proposed location.
- e. Relocation is on or contingent to present meter location

23. Prohibition of Multiple Connections To A Single Tap.

- a. No more than one (1) residential, commercial, or industrial service connection is allowed per meter. The District may consider allowing an apartment building or mobile home/RV park to apply as a "Master Metered Account" and have a single meter (Referring to Section E. 26). Any unauthorized sub-metering or diversion of service shall be considered a Multiple Connection and subject to disconnection of service. If the District has sufficient reason to believe a Multiple Connection exists, the District shall discontinue service under the Disconnection with Notice provisions of this Service Policies for a first violation and for subsequent violations service will be disconnected without notice in accordance with E. 17 b. (See Sample Application Packet RUS-TX Bulletin 1780-9 (Rev.01/09))
- b. For purposes of this section, the following definitions shall apply:
 - 1) A "multiple connection" is the connection to any portion of a customer's system that is connected to a primary delivery point already servicing one residence, one commercial or industrial facility of a water line serving another residence or commercial or industrial facility. Water lines to outbuildings, barns or other accessory structures shall not be considered a multiple connection if: i) those structures are located on the same tract as the primary delivery point and ii) such structures are not used as a residence or as a commercial or industrial facility.
 - 2) A "primary delivery point" shall mean the physical location of a meter that is installed in accordance with this Service Policies and applicable law and which provides water service to the residence or commercial or industrial facility of a customer.
 - 3) A "residence" shall mean any structure which is being used for human habitation, which may include kitchen and bathroom facilities or other evidence of habitation as defined by the District.
 - 4) "Commercial" facility shall mean any structure or combination of structures at which any business, trade, occupation, profession, or other commercial

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activity is conducted. A customer that utilizes water within their residence or property for commercial purposes may be required to obtain a separate meter. A business conducted within a customer's residence or property that does not require water in addition to that provided to the customer's residence shall not be considered a separate commercial facility.

- c. The District agrees to allow customers in good standing to share water usage with a visitor on their property with a recreation vehicle (RV) or travel trailer for a period of no longer than three months. If the recreation vehicle/travel trailer is being used for a permanent residence, this Service Policies requires that an additional meter installation and Deposit is required. If the customer routinely has more than one visitor at a time with recreation vehicles or travel trailers or has multiple visitors throughout the year, the District may require that a second or additional meter(s) be purchased. The customer must submit a written request to the District's business office at least 5 business days prior to sharing District water with a visitor. The District has the right to refuse or deny the shared usage for any reason. The District also has the right to inspect the premises for any potential cross-contamination issues as outlined in the Customer Service Inspection requirements and to ensure that the meter is properly sized for the additional usage at the time of total peak demand. These requirements pertain to visitors ONLY. No commercial usage where fees for water are charged is allowed. If a customer is found to violate these conditions, the customer will be sent a letter of notice stating that water service will be cut off in ten days if the situation is not corrected.

24. ***Master Metered Account Regulations.*** An apartment building, condominium, manufactured housing (modular, mobile or RV) community, business center or other similar type enterprise may be considered by the District to be a single commercial facility if the owner applies for a meter as a "master metered account" and complies with the requirements set forth in TCEQ rules, this Service Policies and applicable law.

25. ***Customer's Responsibility.***

- a. The Customer shall provide access to the meter as per the easement and service agreement. If access to the meter is hindered or denied preventing the reading of the meter, an estimated bill shall be rendered to the Customer for the month; and a notice shall be sent to the affect that access could not be gained. If access is denied for three (3) consecutive months after proper notification to the Customer, then service shall be discontinued and the meter removed with no further notice.
- b. The Customer shall be responsible for compliance with all utility, local, and state codes, requirements, and regulations concerning on-site service and plumbing facilities.
 - 1) All connections shall be designed to ensure against on-site sewage contamination, back-flow or siphonage into the District's water supply. In particular, livestock water troughs shall be plumbed above the top of the trough with air space between the discharge and the water level in the trough. (30 TAC 290.46, Health & Safety Code Chapter 366)
 - 2) The use of pipe and pipe fittings that contain more than 8.0% lead or solder and flux that contain more than 0.2% lead is prohibited for any plumbing installation or repair of any residential or non-residential facility providing

water for human consumption and connected to the District's facilities.

Customer service pipelines shall be installed by the applicant.(30 TAC 290.46)

- c. A Customer owning more than one (1) Deposit 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 Customer.
- d. The District's ownership and maintenance responsibility of water supply and metering equipment shall end at the meter or other service equipment. Therefore, all water usage registering upon and/or damages occurring to the metering equipment owned and maintained by the District shall be subject to charges as determined by this Service Policies as amended from time to time by the Board of Directors.
- e. The District shall require each Customer to have a cut-off valve on the Customer's side of the meter for purposes of isolating the Customer's service pipeline and plumbing facilities from the District's water pressure. The valve shall meet AWWA standards (a ball valve is preferred). The Customer's use of the District's curb stop or other similar valve for such purposes is prohibited. Any damage to the District's equipment shall be subject to service charges. (This cut-off valve may be installed as a part of the original meter installation by the District.)
- f. The customer is required to notify the system 48 hours prior to digging or excavation activities along or near water lines and appurtenances.

26. *Prohibited Plumbing Practices*

- a. No direct connection between the public drinking water supply and a potential source of contamination is permitted. Potential sources of contamination will be isolated from the public water system by an air gap or an appropriate backflow prevention device.
- b. No cross-connection between the water supply and a private water system is permitted. These potential threats to the public drinking water supply must be eliminated at the service connection by the installation of an air-gap or a reduced pressure-zone backflow prevention device.
- c. No connection which allows water to be returned to the public drinking water supply is permitted.
- d. No pipe or pipe fitting which contains more than eight percent (8.0%) lead may be used for the installation or repair of plumbing at any connection that provides water for human use.
- e. No solder or flux which contains more than two-tenths of one percent (0.2%) lead can be used for the installation or repair of plumbing at any connection that provides water for human use.

27. *Connection of Water Service*

- (a) Applications for water service connections shall be filed with the District upon application forms made available from the District. All applicants for water service shall meet all District requirements for service including the granting of any necessary water easements necessary (as determined by the District) to serve the connection to the District and the installation of a customer service isolation valve at the expense of the service applicant.
- (b) No person, other than the properly authorized agent of the District, shall be permitted to tap or make any connection with the mains or distributing pipes of the

- District's water system, or make any repairs or additions to or alterations in any tap, pipe, cock or other fixture connected with the water service pipe.
- (c) The customer must allow his or her property to be inspected for possible cross-connections and other undesirable plumbing practices. These inspections will be conducted by the District or its designated agent prior to initiating service and may be conducted periodically thereafter. All inspections will be conducted during the District's normal business hours.
 - (d) The customer must, at his or her expense, properly install any backflow prevention device required by the District.
 - (e) Water Extensions. As of the effective date of this Service Policy, the cost of the installation of water lines beyond the existing service lines or the cost of upsizing lines (when necessary) of District to any residential or commercial user or any undeveloped area within the District shall be the sole responsibility of the property owner and/or developer requesting services.

28. Standards for Water Service Lines

- (a) In addition to compliance with this Service Policy, all connections shall comply with the Rules and Regulations for Public Water Systems issued by the Texas Commission on Environmental Quality set forth in 31 TAC 290. In the event of a conflict between this Service Policy and TCEQ Rules, the more stringent rule shall apply.
- (b) Water pipe and fittings shall be of brass, copper, cast iron, galvanized malleable iron, galvanized wrought iron, galvanized steel, or other approved materials.
- (c) Water service lines and wastewater service lines shall not be less than three (3) feet apart horizontally and shall be separated by undisturbed or compacted earth.
- (d) Water service lines or any underground water pipe shall not be run or laid in the same trench with non-metallic sewer or drainage piping unless all three of the following conditions are met:
 - 1) The bottom of the water service line at all points shall be at least twelve inches (12") above the top of the wastewater line.
 - 2) The water service line shall be placed on a solid shelf excavated at one side of the common trench and the two lines shall be separated by a minimum of eighteen inches (18").
 - 3) The water service line shall be installed with water tight joints tested to a minimum of 150 PSI.
 - 4) A minimum of four feet (4') of type "L" soft copper pipe shall be installed at the end of the water service line at the connection to the water meter.
 - 5) Water service lines shall be bedded in washed sand to provide six inches (6") of cushion below the line. The trench bottom and walls shall be cleared of all protruding rocks which could damage the pipe before the sand bedding is placed.
 - 6) A District-owned water meter and a District approved meter box shall be installed by a District representative.
 - 7) Potable water supply piping, water discharge outlets, backflow prevention devices, or similar equipment shall not be located so as to make possible the submergence of such equipment in any contaminated or polluted substance.

- 8) Lawn sprinkling systems shall be equipped with an approved vacuum breaker installed in the discharge side of each of the last valves. The vacuum breaker shall be installed at least six inches (6") above the surrounding ground and above a sufficient number of heads so at no time will the vacuum breaker be subjected to back pressure or drainage.
- 9) The District's water system shall be protected from swimming pool makeup water by means of an approved backflow prevention device or an adequate air gap.
- 10) Upon the installation of a service line, a request for inspection shall be made to the District's office forty-eight (48) hours in advance for request of inspection, and no back filling of the lines may be made until inspection has been made by the District, its agents or employees.
- 11) Back filling of service line trenches must be accomplished within 24 hours of inspection and approval, and no debris will be permitted in any service line trench.

29. Enforcement for Violations of Service Policy

- (a) If any person violates any provisions of this Service Policy, and thereby violates a state or federal statute or injunction, the District may seek prosecution of that person in the appropriate state or federal court, and may seek such penalties as are prescribed by that statute or injunction.
- (b) The District may disconnect water service to any user discharging prohibited wastes according to Section E (24).

If any person violates any provision of this Service Policy, and the violation is not punishable in state or federal courts, the District may seek an

- (c) Injunction for specific action and/or damages in the appropriate state or federal court.
- (d) The District will not provide water service until all requirements for service connections have been met.

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SECTION F.

DEVELOPER, SUBDIVISION, AND NON-STANDARD SERVICE REQUIREMENTS

Part I. General Requirements This section details the requirements for all types of non-standard service requests.

1. **Purpose.** It is the purpose of this Section to define the process by which the specific terms and conditions for service to subdivisions and other kinds of Non-Standard Service are determined, including the Non-Standard Service Applicant's and the District's respective costs.

For the purposes of the Section, the term "Applicant" shall refer to the individual or entity that desires to secure Non-Standard Service from the District. The Applicant must be the same person or entity that is authorized to enter into a contract with the District setting for the terms and conditions pursuant to which Non-Standard Service will be furnished to the property. In most cases, the Applicant shall be the owner of real property for which Non-Standard Service is sought. In the event that the Applicant is other than the owner of real property, the Applicant must furnish evidence to the District that it is authorized to request Non-Standard Service on behalf of such owner, or that it otherwise has authority to request Non-Standard Service for the real property.

2. **Application of Rules.** This Section is applicable to subdivisions, additions to subdivisions, developments, or whenever additional service facilities are required for a single tract of property. Examples of non-standard services for a single tract of land can include, but are not limited to, road bores, extensions to the distribution system, service lines exceeding $\frac{3}{4}$ " diameter and any and all extension of District service lines. Non-residential or residential service applications requiring a larger sized meter typically will be considered non-standard. For the purposes of this Service Policies, Applications subject to this Section shall be defined as Non-Standard. This Section may be altered or suspended for planned facility expansions when the District extends its indebtedness. The Board of Directors of the District or their designee 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.

This Section sets forth the general terms and conditions pursuant to which the District will process Non-Standard Service Requests. The specific terms and conditions pursuant to which the District will provide non-standard service in response to any requests will depend upon the nature of such request and may be set forth in a legally enforceable, contractual agreement to be entered into by the District and the service Applicant. The agreement may not contain any terms or conditions that conflict with this Section.

3. **Non-Standard Service Application.** The Applicant shall meet the following requirements prior to the initiation of a Non-Standard Service or the execution of a Non-Standard Service Contract by the District:
 - a. The Applicant shall provide the District a completed Service Application and Agreement Form. The Applicant shall specify any Special Service Needs, such as large meter size, size of subdivision or multi-use facility.
 - b. A final plat (See Service Policies Definition-Final Plat) approved by the District must accompany the Applicant showing the Applicant's requested service area. The plat

must be approved by all governmental authorities exercising jurisdiction over lot sizes, sewage control, drainage, right-of-way, and other service facilities. Plans, specifications, and special requirements of such governmental authorities shall be submitted with the plat. Applicants for single taps involving extension or upsizing of facilities shall be required to submit maps or plans detailing the location of the requested extension and details of demand requirements.

NOTE: It is the responsibility of the Applicant to secure all necessary approvals of the subdivision once an Agreement is in place between the District and the Applicant.

- c. A Non-Standard Service Investigation Fee shall be paid to the District in accordance with the requirements of Section G of this Service Policies for purposes of paying initial administrative, legal, and engineering fees. The District shall refund any balance that remains after it has completed its service investigation, and has completed all legal and engineering services associated with processing a request. In the event such a fee is not sufficient to pay all expenses incurred by the District, the Applicant shall pay to the District upon the District's request all additional expenses that have been, or will be incurred by the District and District shall have no obligation to complete processing of the Application until all remaining expenses have been paid.
- d. If after the service investigation has been completed, the District determines that the Applicant's service request is for property located, in whole or in part, outside the area described in the District's Certificate of Convenience and Necessity, service may be extended provided that:
 - 1) The service location is not in an area receiving similar service from another retail public utility;
 - 2) The service location is not within another retail public utility's Certificate of Convenience and Necessity; and
 - 3) The District's Certificate of Convenience and Necessity shall be amended to include the entirety of Applicant's property for which service is requested. Applicant shall pay all costs incurred by District in amending its CCN, including but not limited to engineering and professional fees. If the service locations is contiguous to or within one-fourth (1/4) mile of the District's Certificate of Convenience and Necessity, District may extend service prior to completing the amendment to its CCN, but will do so only upon Applicant's legally enforceable agreement to fully support such amendment (including but not limited to payment of all professional fees, including legal, surveying and engineering fees incurred by District in securing the amendment). If the District determines to annex the property, the Applicant shall secure written requests for annexation from all ownership interests in the property to be annexed, and shall pay all costs, including engineering and professional fees for the annexation.

4. **Design.** The District shall approve the design requirements of the Applicant's required facilities prior to initiation of a Non-Service Contract in accordance with the following schedule:

- a. The District's Consulting Engineer shall design, or review and approve plans for, all on-site and off-site service facilities for the Applicant's requested service within the District's specifications, incorporating any applicable municipal or other governmental codes and specifications.
- b. The Consulting Engineer's fees shall be paid out of the Non-Standard Service Investigation Fee, under Service Policies Section F. 3.

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- c. The Consulting Engineer shall submit to the District a set of detailed plans, specifications, and cost estimates for the project.
 - d. The District's Engineer shall ensure all facilities for any Applicant meet the demand for service as platted and/or requested in the plans or plat submitted in the application for service. The District reserves the right to upgrade design of service facilities to meet future demands provided however, that the District shall pay the expense of such upgrading in excess of what is reasonably allocable to the level and manner of service requested by the Applicant.
5. ***Non-Standard Service Contract.*** Applicants requesting or requiring Non-Standard Service *may* be requested to execute a written contract, drawn up by the District's Attorney, in addition to submitting the District's Service Application and Agreement. Said contract shall define the terms of service prior to construction of required service facilities. The service contract may include, but is not limited to:
- a. All costs associated with required administration, design, construction, and inspection of facilities for water service to the Applicant's service area and terms by which these costs are to be paid.
 - b. Procedures by which the Applicant shall accept or deny a contractor's bid, thereby committing to continue or discontinue the project.
 - c. Front-end Capital Contributions required by the District in addition to the other costs required under this Section.
 - d. Monthly Reserved Service Charges as applicable to the service request.
 - e. Terms by which service capacity shall be reserved for the Applicant and duration of reserved service with respect to the demand which the level and manner of the service will have upon the District's system facilities.
 - f. Terms by which the Applicant shall be reimbursed or compensated for fees duplicated in assessments for monthly rates and Capital Contribution Fees.
 - g. Terms by which the District shall administer the Applicant's project with respect to:
 - 1) Design of the Applicant's service facilities;
 - 2) Securing and qualifying bids;
 - 3) Execution of the Service Contract;
 - 4) Selection of a qualified bidder for construction;
 - 5) Dispensing advanced funds for construction of facilities required for the Applicant's service;
 - 6) Inspecting construction of facilities; and
 - 7) Testing facilities and closing the project.
 - h. Terms by which the Applicant shall indemnify the District from all third party claims or lawsuits in connection with the project.
 - i. Terms by which the Applicant shall dedicate, assign and convey to the District all constructed facilities and related rights (including contracts, easements, rights-of-way, deeds, warranties, and so forth) by which the District shall assume operation and maintenance responsibility for the Applicant's project. The Applicant shall also provide reproducible as-built drawings of all constructed facilities. The as-built drawings must verify that all facilities have been properly located within the easements conveyed to the District.
 - j. Terms by which the Board of Directors shall review and approve the Service Contract pursuant to current rules, regulations, and bylaws.

6. **Construction of Facilities by Applicant Prior to Execution of Service Contract.** The District and the Applicant must execute a Non-Standard Service Contract prior to the purchase of supplies and materials or initiation of construction of facilities by the Applicant. In the event that the Applicant commences construction of any such facilities prior to execution of a Contract with the District, the District may refuse to provide service to the Applicant or, in a subdivision, to any person purchasing a lot or home from the Applicant. Alternatively the District may require full costs of replacing/repairing any facilities constructed without prior execution of a contract from any person buying a lot or home from Applicant. At a minimum, the District will require that all facilities be uncovered by the Applicant for inspection by the District, require that all facilities not approved by the District be replaced, and take any other lawful action determined appropriate by the Board of Directors of the District.

7. **Dedication of Water System Extension to SUD.**

- a. Upon proper completion of construction of all on-site and off-site facilities to meet the level and manner of service requested by the Applicant (the "Facilities"), the Facilities shall become the property of the SUD. The Facilities shall thereafter be owned and maintained by the SUD subject to warranties required of Applicant under Subsection (b). Any connection of individual customers to the Facilities shall be made by the SUD.
- b. Upon transfer of ownership of the Facilities, Applicant shall warrant materials and performance of the Facilities constructed by Applicant for (12) months following the date of the transfer of ownership.

8. **Property and Right-of-Way Acquisition.** With regard to construction and subsequent maintenance and operation of facilities, the District shall require exclusive private right-of-way easements or title to property as per the following conditions:

- a. If the District determines that right-of-way easements or facility sites outside the Applicant's property are required, the Applicant shall secure such easements or else title to facility sites in behalf of the District. All right-of-way easements and property titles shall be researched, validated, and filed by the District at the expense of the Applicant. (See Sample Application Packet RUS Form 442-8 or 442-9 (Rev. 6-06))
- b. All additional costs associated with facilities that must be installed in public right-of-way on behalf of the Applicant, due to the inability of the Applicant to secure private right-of-way easements, such as including road bores and TxDOT approvals shall be paid by the Applicant. Alternatively, Applicant shall pay all costs, including legal and other professional fees and the condemnation award in the event District secures such private easements or facility sites through eminent domain proceedings.
- c. The District shall require exclusive dedicated Right-of-Way on the Applicant's property (as required by the size of the planned facilities and as determined by the District) and title to property required for other on-site and off-site facilities.
- d. Easements and facilities sites shall be prepared for the construction of the District's pipelines and facility installations in accordance with the District's requirements and at the expense of the Applicant.

9. **Bids for Construction.** The District'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 (as per Engineer's determination), to prospective bidders. Although the District reserves the right to

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reject any bid or contractor, the District shall generally award the contract to the lowest qualified 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 District;
- c. The Contractor shall secure adequate performance and payment bonding for the project under terms acceptable to the District;
- d. The Contractor shall supply favorable references acceptable to the District;
- e. The Contractor shall qualify with the District as competent to complete the work (including but not limited to current water license, OSHA competent person training, and other licenses/certificates as required to complete the project); and
- f. The Contractor shall provide adequate certificates of insurance as required by the District.

10. **Pre-Payment for Construction and Service.** After the Applicant has executed the Service Agreement, the Applicant shall pay to the District all costs necessary for completion of the project prior to construction and in accordance with the terms of the Non-Standard Service Contract.

11. **Construction.**

- a. All roadwork pursuant to state, county and/or municipal standards (as 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, approved road sleeves/casings may be installed prior to road construction to avoid road damage during construction of Applicant's facilities.
- b. The District shall, at the expense of the Applicant, inspect the facilities to ensure compliance with District standards.
- c. Construction plans and specifications shall be strictly adhered to, but the District reserves the right to issue change-orders of any specifications, due to unforeseen circumstances during the design phase, to better facilitate construction or operation of the Applicant's facility. All change-order amounts shall be charged to the Applicant.

PART II. Request for Service to Subdivided Property

This section applies to applicants that are developers as defined in Section C Definitions.

1. **Sufficient Information – Applicants** shall provide the District sufficient information describing the level and manner of service requested and the timeline for initiation of this service. The following is the minimum information needed for an engineering evaluation of the requested service to the property described in the application.
 - a. Completion of requirements described in **Section F. Part I. including completing the Non-Standard Service Application.**
 - b. Applicant shall provide the District with details concerning access to the property during evaluation of application.
 - c. Applicant shall be notified in writing by the District or designated representative if service can be extended in accordance with the details described on the Applicant's request for service.

2. **Service within Subdivisions** -- The District's obligation to provide service to any customer located within a subdivision governed by this Section is strictly limited to the level and manner of the service specified by the Applicant. The Applicant is responsible for paying for all costs necessary for non-standard service to a subdivision as determined by the District under the provisions of this Service Policies and specifically the provisions of this Section; if the Applicant fails to pay these costs, the District has the right to require payment of these costs by any one or more of the persons purchasing lots or homes within such subdivision before the District is obligated to provide water service (Texas Water Code 13.2502). In addition, District may elect to pursue any remedies provided by the Non-Standard Service Contract if one has been executed. Applicant is advised that purchasers of lots also may have legal recourse to the Applicant under Texas law, including but not limited to Texas Water Code Section 13.257, and the Business and Commerce Code Chapter 17 Subchapter E Deceptive Trade Practices- & Consumer Protection Act.
3. For Service to subdivisions involving tracts of 50 acres or greater, the Applicant must provide the following in addition to all other information otherwise required by this Section:
 - a. Map and description of the area to be served using map criteria in Section 291.105(a)(2)(A-G of the TCEQ's Rules)
 - b. Time frame for:
 1. Initiation of service
 2. Service to each additional phase following the initial service.
 - c. Level of service (quantity and quality) for;
 1. Initial needs
 2. Phased and final needs and the projected land uses that support the requested level of service for each phase.
 - d. Manner of service for:
 1. Initial needs
 2. Phased and final needs and the projected land uses that support the requested level of service for each phase
 - e. Any additional information requested by the District necessary to determine the capacity and the costs for providing the requested service.
 - f. Copies of all required approvals, reports and studies done by or for the Applicant to support the viability of the proposed development.

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Applicant must provide reasonably sufficient information, in writing, to allow the District to determine whether the level and manner of service specified by the Applicant can be provided within the time frame specified by the Applicant and to generally determine what capital improvements, including expansion of capacity of the District's production, treatment and/or storage facilities and/or general transmission facilities properly allocable directly to the service request are needed. If the Applicant proposes development in phases, the Applicant should specify the level and manner of service and the estimated time frame within which that service must be provided for each phase, and the Applicant must depict the currently estimated location of each phase on the maps required under 30 TAC Section 291.105(a)(2)(A-G). It is important that the Applicant's written request be complete. A complete application by the Applicant should include:

- a) The proposed improvements to be constructed by the Applicant;
- b) A map or plat signed and sealed by a licensed surveyor or registered professional engineer;
- c) The intended land use of the development, including detailed information concerning types of land uses proposed;
- d) The projected water and/or sewer demand of the development when fully built out and occupied, the anticipated water/sewer demands for each type of land use, and a projected schedule of build-out;
- e) A schedule of events leading up to the anticipated date upon which service from the CCN holder will first be needed; and
- f) A proposed calendar of events, including design, plat approval, construction phasing and initial occupancy; and
- g) Any additional information requested by the District necessary to determine the capacity and the costs for providing the requested service.

Applicant must establish that current and projected service demands justify the level and manner of service being requested. In making his/her written request for service, the Applicant must advise the District that he/she may request expedited decertification from the TCEQ.

Upon payment of all required fees, the District shall review Applicant's service request. If no additional information is required from Applicant, the District will prepare a written report on Applicant's service request, subject to any final approval by the District's governing body (if applicable) which must be completed within the 90 days from the date of receipt of application and payment of the required fees. The District's written report will state whether the requested service will be provided, whether the requested service can be provided within the time frame specified by the Applicant, and the costs for which the Applicant will be responsible (including capital improvements, easement or land acquisition costs, and professional fees).

In the event the District's initial review of the Applicant's service shows that additional information is needed, the District will notify Applicant of the need for such additional information. Notice of the need for additional information will be made in writing within 30 days of the date the District receives the Applicant's payment of the required fees. Applicant should respond to the District's request for additional information within 15 days of receipt of the District's written request. In any case, the District will provide the written report, including any final approval by the District's Board (if applicable) within 90 days from the date of the **initial** written application and payment of all required fees.

By mutual written agreement, the District and the Applicant may extend the time for review beyond the 90 days provided for expedited petitions to the TCEQ. The Applicant is advised that failure to timely provide the information required by this Section, including this Subsection, may cause the TCEQ to reject any subsequent petition for decertification of Applicant's property. The Applicant is further advised that if the Applicant makes any change in level or manner or time frame for any phase of service, the Applicant's original Application for Non-Standard Service will be deemed withdrawn, and the change may be considered a new Application for Non-Standard Service for all purposes, including the times specified herein for processing.

4. **Final Approval** – Upon final approval by the District and acceptance of proposal for service by the Applicant, a Non-Standard Service Contract will be executed and the District shall provide service according to the conditions contained in the Non-Standard Service Contract.

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SECTION G.
RATES AND SERVICE FEES

UNLESS SPECIFICALLY DEFINED IN THIS SERVICE POLICY, ALL FEES, RATES, AND CHARGES AS STATED SHALL BE NON-REFUNDABLE.

1. **Classes of Users** – All users of the District’s water services shall be classified as (1) Standard or (2) Non-Standard service as further defined in Section E (2) and Section F of this Service Policy. Either class of users may be further classified into sub-classes to the meter size by which service is provided.

2. **Service Investigation Fee** – The District shall conduct a service investigation for each service application submitted to the District. An initial determination shall be made by the District, without charge, as to whether the service request is for a Standard Service or a Non-Standard Service. An investigation shall then be conducted and the results reported under the following terms:
 - a. All Standard Service requests shall be investigated pending a deposit of \$200.00 service investigation fee and all applicable costs for providing services shall be quoted in writing to the Applicant/Customer within ten (10) working days of application.
 - b. All Non-Standard Service requests shall be subject to a fee, appropriate to each project, of sufficient amount to cover all administrative, legal, and engineering fees associated with investigation of the District’s ability to deliver service to the Applicant to;
 - (1) provide cost estimates of the project,
 - (2) to present detailed plans and specifications as per final plat,
 - (3) to advertise and accept bids for the project,
 - (4) to present a Non-Standard Service Contract to the Applicant, and
 - (5) to provide other services as required by the District 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. **Deposit Fee.** At the time application for service is approved, a refundable Deposit must be paid for each service requested before service shall be provided or reserved for the Applicant by the District. The Deposit will be used to offset final billing charges of the account. In the event that FIVE DOLLARS (\$5.00) or more of the Deposit remains after the final billing is settled, the balance will be paid to the customer within 45 days, provided the District is given a suitable address. All requests for refunds shall be made in writing and should be filed within 90 days of termination. In the event that an outstanding balance exists after the Deposit is applied, the District shall attempt to collect the outstanding balance by all lawful means available.

1. The Deposit for water service is \$200.00 for each service unit.
2. The Deposit for oversized or Master Metered Accounts shall be based on multiples of meter size equivalence.
- a) If the District is not provided with a suitable address to send the balance of a deposit or if after sending the balance it is returned by the postal service, the District will hold the funds for the customer to claim for a period of three years. After the third year holding period has expired, the District will turn the money over to the Texas Comptroller's Office. The customer may still claim their deposit once deposited with the Comptroller's Office.

4. **Easement Fee.** When the District determines that private right-of-way easements and/or facilities sites are necessary to provide service to the Applicant, the Applicant shall be required to make good faith efforts to secure the necessary easements and/or sites in behalf of the District and/or pay all costs incurred by the District in validating, clearing, and retaining such easements or sites in addition to tap fees otherwise required pursuant to the provisions of this Service Policies. The costs may include all legal fees and expenses necessary to attempt to secure such right-of-way easements and/or facilities sites in behalf of the Applicant. (See Section E.3., Section F. 8b).

5. **Installation Fee.** The District shall charge an installation fee for service as follows:

- a. **Standard Service** shall include all current labor, materials, engineering, legal, customer service inspection, and administrative costs necessary to provide individual metered water service and shall be charged on a per tap basis as computed immediately prior to such time as metered service is requested and installed.
- b. **Non-Standard Service** shall include any and all construction labor and materials, inspection, administration, legal, and engineering fees, as determined by the District under the rules of Section F of this Service Policies.
- c. Standard and Non-Standard Service Installations shall include all costs of any pipeline relocations as per Section E. 3(e) of this Service Policies.

6. **Capital Contribution Fee.** In addition to the Installation Fee and Deposit Fee, each Applicant shall be required to achieve parity with the contributions to the construction of the District's facilities capacity that have been made previously by existing Customers. This fee shall be assessed immediately prior to providing or reserving service on a per service unit basis for each property and shall be assigned and restricted to that property for which the service was originally requested. This fee shall be set aside for future capacity improvements such as line upgrades, new tanks, treatment or production. The formula applied to such fee calculated annually after receipt of the system audit as follows:

Sample Calculation:

Total Contributions and Assets of the District minus (-)
 Accumulated Depreciation minus (-)

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Outstanding District Debt Principal minus (-)
 Developer Contributions minus (-)
 Grants received divided by
 Total Number of Customers equals (=)
 Average Net Capital Contribution Fee

<u>Meter Size</u>	<u>Capital Contribution Fee</u>
5/8" x 3/4"	\$ 1,350.00 (Cannot exceed 2x tap fee without TCEQ approval)
Greater than Standard Size	\$ 1,350.00

7. Monthly Charges.

a. Service Availability Charge

- 1) **Water Service** – The monthly charge for Standard metered water service is for the 5/8" x 3/4" meter charge is used as a base multiplier for larger Non-Standard meters in accordance with the following chart based on American Water Works Association maximum continuous flow specifications:

METER SIZE	5/8" X 3/4" METER EQUIVALENTS	MONTHLY RATE

5/8" X 3/4"	1.0	\$25.00
3/4"	1.5	\$25.00
1"	2.5	\$55.00
1 1/2"	5.0	\$
2"	8.0	\$165.00
3" DISP.	15.0	\$
3" CMPD.	16.0	\$
3" TURB.	17.5	\$
4" CMPD.	25.0	\$
4" TURB.	30.0	\$
6" CMPD.	50.0	\$
6" TURB.	62.5	\$
8" CMPD.	80.0	\$

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

- 1) Water - \$3.50 per thousand gallons for any gallonge over 100 gallons up to 4,000 gallons.
- 2) Water - \$4.15 per thousand gallons for any gallonge over 4,000 gallons up to 8,000 gallons.

- 3) Water - \$5.00 per thousand gallons for any gallonage over 8,000 gallons up to 20,000 gallons.
- 4) Water - \$5.75 per thousand gallons for any gallonage over 20,000 gallons

8. **Late Payment Fee.** Once per billing period, a penalty of \$15.00 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 District for payment of services provided for in this Service Policies, 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 \$35.00.

10. **Reconnect Fee (Re-Service Fee).** The District shall charge a fee of \$75.00 for reconnecting service after the District has previously disconnected the service for any reason provided for in this Service Policies except for activation of service under Section E.5.b. Re-Service.

11. **Service Trip Fee.** The District shall charge a trip fee of \$50.00 (during regular business hours) and/or a \$75.00 after regular business hours, holidays and weekends for any service call or trip to the Customer's tap as a result of a request by the Customer or resident unless the service call is in response to damage of the District's or another Customer's facilities, for customer service inspections due to suspicion of meter tampering, bypass or diversion of service, or for the purpose of disconnecting or collecting payment for services.

12. **Equipment Damage Fee.** If the District'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 District actions. This fee shall be charged and paid before service is re-established. All components of this fee will be itemized, and a statement shall be provided to the Customer. If the District's facilities or equipment have not been damaged, a fee equal to the actual costs for labor, material, equipment, and other actions necessary to correct service diversions, unauthorized taps, or reconnection of service without authority shall be charged. If the District's facilities or equipment have been damaged due to negligence or unauthorized use of the District's equipment, right-of-way, or meter shut-off valve, or due to other unauthorized acts for which the District incurs losses or damages, the Customer shall be liable for all labor and material charges incurred as a result of said acts or negligence. Note: Payment of this fee will not preclude

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the District from requesting appropriate criminal prosecution.

13. **Customer History Report Fee.** A fee of \$1.00 per page shall be charged to provide a copy of the Customer's record of past water purchases in response to a Customer's request for such a record.
14. **Meter Test Fee.** The District shall test a Customer's meter upon written request of the customer. Under the terms of Section E. 20.a. of this Service Policies, the same and equal charge of the cost for the testing shall be imposed on the affected account.
15. **Non-Disclosure Fee.** A fee of \$5.00 shall be assessed any customer requesting in writing that personal information under the terms of this Service Policies not be disclosed to the public.
16. **Information Copy Fee.** A fee for the copying of any public information will be charged to the person requesting that information in compliance with the cost rules of the Government Code Section 552.261 et seq.
17. **Regulatory Assessment.** A fee of 0.5% of the amount billed for water service will be assessed each customer; this assessment is required under Texas law and TCEQ regulations. **NOTE:** The regulatory assessment is not to be collected from state agencies, wholesale customers, or buyers of non-potable (not drinkable) water. (Ref. TCEQ RG-199 revised Oct. 2002. TCEQ Section 291.76 (c))
18. **Additional Assessments.** In the event any federal, state or local government imposes on the District a "per meter" fee or an assessment based on a percent of the water charges, this fee or assessment will be billed and collected as a "pass through" charge to the customer.
19. **Other Fees.** All services outside the normal scope of utility operations that the District may be compelled to provide at the request of a Customer shall be charged to the recipient based on the cost of providing such service.
20. **Meter Tampering and Diversion Penalty.** In addition to the Equipment Damage Fee, the District may charge a penalty for "Tampering" as defined in Section E.21. The penalty may only be assessed against the person who committed the Tampering. An owner cannot be assessed for the Tampering committed by their tenant. The penalty shall not exceed six (6) times the Service Availability Charge. (\$150.00)

SECTION H.
DROUGHT CONTINGENCY
AND
EMERGENCY WATER DEMAND MANAGEMENT PLAN

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1. INTRODUCTION

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

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

The plan will be implemented according to the three stages of rationing as imposed by the Board. Section D describes the conditions that will trigger these stages.

2. PUBLIC INVOLVEMENT

Opportunity for the public to provide input into the preparation of the Plan was provided by the Board by scheduling and providing public notice of a public meeting to accept input on the Plan. Notice of the meeting was provided to all customers. In the adoption of this plan, the Board considered all comments from customers.

3. COORDINATION WITH REGIONAL WATER PLANNING GROUP

Being located within the Region D water planning area, a copy of this Plan has been provided to the Region D Water Planning Group.

4. TRIGGER CONDITIONS

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

- 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 80 percent of daily maximum supply for three (3) consecutive days.
 - 2) Water supply is reduced to a level that is only 20 percent greater than the average consumption for the previous month.
 - 3) 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 to comply with the requirements and restrictions on certain non-essential water uses may be implemented when the MACBEE Treatment Plant exceeds 70% of the safe operating capacity of 2 million gallons per day for 15 consecutive days or 80% on a single day. When storage tank levels fall below 70% and cannot be replenished for 5 consecutive days.
- c. Stage III - Severe Conditions:** Stage III water allocation measures may be implemented when an emergency water shortage condition exists for a major water line break; or pump or major component or a system failure occurs, which caused unprecedented loss of capability to provide water service; or there is a natural or man-made contamination of the water supply source; or reduction of wholesale water supply due to drought conditions; or other unforeseen events which could cause imminent health or safety risks to the public.

5. STAGE LEVELS OF WATER ALOCATIONS

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 a livestock or other exemption or variance granted under this section).
 - 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.
 - 2) Water use will be restricted to a percentage of each member's prior month usage. This percentage may be adjusted as needed according to demand on the system. Notice of this 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 District, or its designated responsible representative, shall, based on recommendation from the Chairperson of the Drought/Emergency Management Committee, decide if the appropriate stage of rationing shall be initiated. The initiation may be delayed if there is a reasonable possibility the water system performance will not be compromised by the condition. If water allocation is to be instituted, written notice to the customers shall be given.

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

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

A sample Customer Notice of water allocation conditions is included in Miscellaneous Transaction Forms of this Service Policy.

If the water allocation program extends 30 days then the Chairperson of the Drought/Emergency Management Committee or 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 the trigger condition no longer exists then the responsible official may terminate the water allocations provided that such an action is based on sound judgment. Written notice of the end of allocations shall be given to customers. 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 will be notified by a written notice of their specific violation and their need to comply with the Service Policy rules.
- b. **Second Violation** - The District 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 District 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 District.

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8. EXEMPTIONS OR WAIVERS

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

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

Persons requesting an exemption from the provisions of this Ordinance shall file a petition for variance with the Drought/Emergency Management Committee within 5 days after the Plan or a particular drought response stage has been invoked or after a condition justifying the variance first occurs. All petitions for variances shall be reviewed by the Committee and shall include the following:

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

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

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

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

9. IMPLEMENTATION

The Board establishes a Drought/Emergency Management Committee by Resolution, the chairperson of which will be the responsible representative to make Drought and Emergency Water Management actions. This Committee will review the procedures in this plan annually or more frequently.

Modifications may be required to accommodate system growth, changes in water use demand, available water supply and/or other circumstances.

This Plan was adopted by the Board at a properly noticed meeting held on April 14, 2003.

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Investment Policy

Policy:

It is the policy of the MacBee Special Utility District to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state/province and local statutes governing the investment of public funds.

Scope:

This investment policy applies to all financial assets of the MacBee Special Utility District. These funds are accounted for in the MacBee Special Utility District's **Comprehensive Annual Financial Report and include:**

Funds:

1. General Fund
2. Special Revenue Funds
3. Capital Project Funds
4. Debt Obligation Funds-Reserve and Interest & Sinking Funds

Prudence:

Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the “**prudent person**” standard and shall be applied in the contest of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Objective:

The primary objectives, in priority order, of the MacBee Special Utility District's investment activities shall be:

Safety: Safety of principal is the foremost objective of the investment program. Investments of the Mac Bee Special Utility District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective **diversification** is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity: The MacBee Special Utility District's investment portfolio will remain sufficiently liquid to enable the MacBee Special Utility District to meet all operation requirements which might be reasonably anticipated.

Return of Investment: The MacBee Special Utility District's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the MacBee Special Utility District's investment risk constraints and the cash flow characteristics of the portfolio.

Delegation of Authority:

Authority to manage the MacBee Special Utility District's investment program is derived from the following: *trading resolutions code citations, ordinances, and statutes*. Management responsibility for the investment program is hereby delegated to the appointed Investment Officer, R. H. Valentine, Jr., who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

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Investment Procedures:

The Investment Officer shall establish written investment policy procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: safekeeping, PSA repurchase agreements, wire transfer agreements, banking service contracts and collateral/depositary agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the MacBee SUD Board of Directors.

Ethics and Conflicts of Interest:

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the General Manager/Investment Officer any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the MacBee Special Utility District.

Authorized Financial Dealers and Institutions: The Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of (Texas). These may include "primary" dealers or regional dealers that qualify under **Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule)**. No public deposit shall be made except in a qualified public depository as established by state/province laws. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the treasurer with the following: *audited financial statements, proof of National Association of Security Dealers certification, trading resolution, proof of state/province registration, completed broker/dealer questionnaire, certification of having read entity's investment policy and depository contracts.*

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Treasurer.

A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the MacBee Special Utility District invests.

Authorized & Suitable Investments:

The MacBee Special Utility District is empowered by statute to invest in the following types of securities:

1. Master Repurchase Agreement:

If repurchase agreements are legal or authorized, a **Master Repurchase Agreement** must be signed with the bank or dealer.

2. Investment Pools/Mutual Funds:

If governmental sponsored pools and/or mutual funds are included in Authorized Investments, a section on investigation and due diligence must be included.

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

A description of eligible investment securities, and a written statement of investment policy and objectives.

A description of interest calculations and how it is distributed, and how gains and losses are treated.

A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.

A description of who may invest in the program, and often, what size deposit and withdrawal are allowed.

A schedule for receiving statements and portfolio listings.

Are reserves, retained earnings, etc. utilized by the pool/fund?

A fee schedule, and when and how is it assessed.

Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

3. Certificates of Deposit:

The District is authorized to invest its funds in certificates of deposit or other interest bearing accounts of any bank or savings and loan association domiciled in the State of Texas. All certificates of deposit must be fully insured or collateralized. Certificates of deposit should mature one to twenty-four months after purchase with maturity dates falling one to two months apart.

Collateralization:

Collateralization will be required on two types of investments: certificates of deposit and repurchase (and reverse) agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be (102%) of market value of principal and accrued interest.

Then entity chooses to limit collateral to the following:

Collateral will always be held by an independent third party with who the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

The right of collateral substitution is granted.

Safekeeping and Custody:

All security transactions, including collateral for repurchase agreements, entered into by the MacBee Special Utility District shall be conducted on a **deliver-versus-payment (DVP)** basis. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

Diversification:

The MacBee Special Utility District will diversify its investments by security type and institution. With the exception of U. S. Treasury securities and authorized pools, no more than 50 % of the MacBee Special Utility District's total investment portfolio will be invested in a single security type or with a single financial institution.

Maximum Maturities:

To the extent possible, the MacBee Special Utility District will attempt to match its investment with anticipated cash flow requirements. Unless matched to a specific cash flow, the MacBee Special Utility District will not directly invest in securities maturing more than (2) years from the date of purchase. However, the MacBee Special Utility District may collateralize its repurchase agreements using longer-dated investments not to exceed (5) years to maturity.

Reserve funds may be invested in securities exceeding (2) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

Internal Control:

The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

Performance Standards:

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

Market Yield (Benchmark): The entity's investment strategy is *(passive or active)*. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be the *six-month U.S. Treasury Bill and the average Fed Funds rate*.

The Treasurer shall provide the MacBee Special Utility District Board of Directors quarterly investment reports, which provide a clear Picture of the status of the current investment portfolio. The management report should include comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, possible changes in the portfolio structure going forward and thoughts on investment strategies.

Schedules in the quarterly report should include the following:

- A listing of individual securities held at the end of the reporting period by authorized investment category.
- Average life and final maturity of all investments listed.
- Coupon, discount or earnings rate.
- Par value, Amortized Book Value and Market Value. Percentage of the Portfolio represented by each investment category.
- Percentage of the Portfolio represented by each investment category.

Investments Policy Adoption:

The MacBee Special Utility District's investment policy shall be adopted by resolution of the MacBee Special Utility District's legislative authority. The policy shall be reviewed annually by the MacBee Special Utility District Board of Directors and any modifications made thereto must be approved by the Board of Directors.

Glossary:

Because this policy is to be available to the public as well as the governing body, it is important that a glossary of related terminology be part of the policy.

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GLOSSARY

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and seller together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with specific maturity evidence by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the MacBee Special Utility District. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent return.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): CONSISTS OF SEVEN MEMBERS OF Federal reserve Board and five of the twelve federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Securities are backed by the FHA, VA or FmHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

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MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptance, etc.) are issued and traded.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealer who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state-the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the fed is said to be doing RP, it is said to be doing RP, it is lending money, that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vault's for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations which have imbedded options (e.g., call features, step-up returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one-reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YEILD: The rate of annual income return on an investment, expressed as a percentage (a) **INCOME YEILD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD or YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

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WALLEN SUPPLY DIV.
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P. O. Box 780
Wills Point, Texas 75169

(903) 873-2109
Fax: (903) 873-2748



January 31, 2002

Texas Natural Resource Conservation Commission
Water Permits and Resource Management Division
Utilities and District Section
PO Box 13087
Capitol Station
Austin TX 78711-3087

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To Whom It May Concern:

Please be advised that the Board of Directors of MAC BEE Water Supply Corporation adopted by resolution the attached Drought Contingency Plan for Wholesale Customers at their regular board meeting on November 13, 2001.

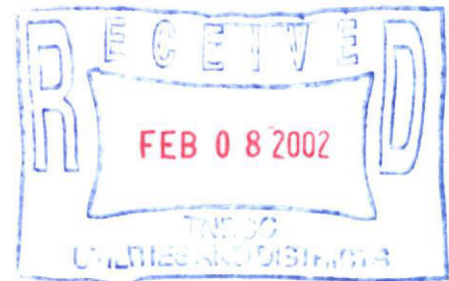
Also, please find enclosed a copy of page 3 of Section C and Section E showing Tariff updates. A copy of Section G is enclosed reflecting a change in the Base Rate-Service Availability Charge each month on page 2 as follows: Base Rate will be based on flow demand on any larger sized meters.

Thank you for your kind attention to this matter.

Respectfully,

A handwritten signature in blue ink that reads 'R.H. Valentine, Jr.'.

R.H. Valentine, Jr.
General Manager
MAC BEE Water Supply Corporation



Enclosures



DROUGHT CONTINGENCY PLAN FOR WHOLESALE CUSTOMERS

1. Declaration of Policy, Purpose, and Intent

In order to conserve the available water supply and/or to protect the integrity of water supply facilities, with particular regard for domestic water use, sanitation, and fire protection, and to protect and preserve public health, welfare, and safety and minimize the adverse impacts of water supply shortages and other water supply emergency conditions, the MAC EE Board of Directors adopts the following Drought Contingency Plan (the Plan).

2. Public Involvement

Opportunity for the public and wholesale water customers to provide input into the preparation of the Plan was provided by the Board of Directors by means of public meetings at MAC BEE Water Supply Corporation office at 402 E. South Commerce Street, Wills Point, Texas.

3. Wholesale Water Customer Education

The Corporation will periodically provide wholesale water customers with information about the Plan, including information about the conditions under which each stage of the Plan is to be initiated or terminated and the drought response measure to be implemented in each stage. This information will be provided by means of distributing copies of the approved Plan to MAC BEE WSC customers by mail as well as by telephone.

4. Coordination with Regional Water Planning Groups

The water service area of the Corporation is located within the Senate Bill One North East Texas Regional Water Planning Area (Region D). MAC BEE WSC will provide a copy of the Plan to the Regional Water Planning Groups.

5. Authorization

The General Manager of the Corporation, or his/her designee, is hereby authorized and directed to implement the applicable provisions of this Plan upon determination that such implementation is necessary to protect public health, safety, and welfare. The General Manager, or his/her designee, shall have the authority to initiate or terminate drought or other water supply emergency response measures as described in this Plan.

6. Application

MAC BEE Water Supply Corporation
Conservation and Drought Contingency Plan
for Wholesale Customers
Revised November, 2001

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The provisions of the Plan shall apply to all customers utilizing water provided by MAC BEE WSC. In addition, as a term of contract renewal with its customers, MAC BEE WSC is requiring its customers to create their own Water Conservation and Drought Contingency Plans.

7. Trigger Criteria for Initiation and Termination of Drought Response Stages

The General Manager, or his/her designee, shall monitor water supply conditions on a monthly basis and shall determine when conditions warrant initiation or termination of each stage of the Plan. Customer notification of the initiation or termination of drought response stages will be made by mail and/or telephone. The news media will also be informed.

The criteria described below are based on water contracts and demands placed on the various components of the MAC BEE Water Supply system and on drought of record determinations for the reservoirs. Conditions set forth are in accordance with the system's raw water supply contract with Sabine River Authority.

a. Stage I – Mild Water Shortage Conditions

Requirement for initiation – The system will recognize that mild water shortage conditions exist in the appropriate part(s) of its system when the combined capacity in Lake Fork and Lake Tawakoni reaches 75 percent of their total capacity; and/or when the flow measured by the U.S. Geological Survey gage on the Sabine River near Ruliff, Texas falls to the mild conditions flow in Table 9. The trigger flow at Ruliff gage depends on the amount of water the Corporation is contracted to deliver.

Requirements for termination – Termination of the mild water shortage condition and corresponding measures will take place when conditions that initiated the mild water shortage condition no longer exist. MAC BEE will inform its customers and the media of the termination of the mild water shortage conditions in the same manner as in its initiation.

b. Stage 2 – Moderate Water Shortage Conditions

Requirement for initiation – The system will recognize that moderate water shortage conditions exist in the appropriate part(s) of its system when the combined capacity in Lake Fork and Lake Tawakoni reaches 66 percent of their total capacity.

Requirement for termination – Termination of the moderate water shortage condition and corresponding measures will take place when conditions that initiated the moderate water shortage condition no longer exist.



The Corporation will inform its customers and the media of the termination of the moderate water shortage conditions in the same manner as in its initiation.

c. Stage 3 – Severe Water Shortage Conditions

Requirements for initiation – The system will recognize that severe water shortage conditions exist in the appropriate part(s) of its system when the combined capacity in Lake Fork and Lake Tawakoni reaches 50 percent of total capacity. The system will also recognize that severe water shortage conditions exist in individual counties within their service area if the Governor of Texas declares the county to be in a State of Emergency concerning water supply.

Requirements for termination – Termination of severe water shortage condition and corresponding measures will take place when conditions that initiated the severe water shortage condition no longer exist. The system will inform its customers and the media of the termination of the severe water shortage conditions in the same manner as in its initiation.

d. Emergency Water Shortage Conditions

The failure of a major component of the pumps or treatment facility of the system will have a significant impact on the supply of water to the system customers. However, the supply restriction will tend to be of short duration in this situation. In the event of an emergency condition, the system will notify its customers of the water supply situation and make such operational changes it finds necessary while the emergency condition exists. Customers will be notified when the situation has been rectified and the system is fully operational.

8. Drought Response Stages

The General Manager, or his/her designee, shall monitor water supply conditions in accordance with the trigger criteria set forth in Section III, shall determine that mild, moderate, or severe water shortage conditions exist or that an emergency condition exists and shall implement the following actions:

a. Stage I – Mild Water Shortage Conditions

Goal: Inform the system's customers and the general public of the situation and encourage the wise use of water.

Measures:

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1. When mild water shortage conditions exist, the system will inform its customers of the drought condition by mail and telephone.
2. The customers will be asked to activate an information center to answer inquiries from the citizens. At the same time, representatives of the system and its customers will discuss the drought condition and its impact on the water supply situation in the new media.
3. The system will continue to advise its customers of the reservoir elevations monthly. Each customer in turn will follow its individual emergency measures.

b. Stage 2 – Moderate Water Shortage Conditions

Goal: Achieve a voluntary 30 percent reduction in non-essential outdoor water use.

Measures:

1. When the system reaches moderate water shortage conditions, the system will inform its customers by mail and by telephone that the drought has reached the moderate trigger level. This information will be given at weekly intervals as long as the moderate drought condition continues.
2. During the moderate water shortage conditions, the system may curtail water delivered to its customers on a pro-rata basis, if necessary.
3. The system may request its wholesale customers to implement voluntary lawn irrigation restrictions through the media. The system itself will use the media to inform the general public of the need to curtail outdoor water use.
4. The system may request its wholesale customers to prohibit such other non-essential outdoor uses as car washing, filling of swimming pools, etc.

c. Stages 3 & 4 – Severe and Emergency Water Shortage Conditions

Goal: Achieve a voluntary 90 percent reduction in non-essential outdoor water use and a reduction of 30 percent in total water use.

Measures:

1. When the system reaches severe water shortage conditions, the system will inform its customers by mail or telephone about the serious water supply situation. Similar action will be taken in the event of a major emergency. The news media also will be informed. Situation reports will

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be issued to the system's customers and the news media weekly. The system's General Manager may call emergency meetings to discuss with its customers major operational changes if it finds such action necessary during the progress of a severe drought.

2. The system will reduce water delivery on a pro-rata basis to its customers as the situation dictates. This is further discussed in Section 9 of the Plan.
3. The system may request all its wholesale customers to prohibit outdoor water use and to activate applicable drought measures to minimize indoor uses until the drought condition changes to a moderate condition or better.
4. The system will notify the Executive Director of TNRCC within five business days of implementing any mandatory provisions of the drought contingency plan.
5. If the restrictions of this Stage of the Plan cause undue hardship on a customer, that customer may request a variance from the system's Board of Directors. These requests will be considered on a case-by-case basis.

9. Pro Rata Water Allocation

A. In the event that the trigger criteria specified in Section 7 of the Plan for Stage 3 – Severe Water Shortage Conditions have been met, the General Manager, or his/her designee, is hereby authorized to initiate allocation of water supplies on a pro rata basis in accordance with Texas Water Code Section 11.039 and according to the following water allocation policies and procedures:

B. Utilization of alternative water sources with the prior approval of the executive director as appropriate. Interconnection with the City of Dallas transmission line from Lake Fork and/or interconnection of another public water supply.

- 1) A wholesale customers' monthly allocation shall be a percentage of the customer's water usage baseline. The percentage will be set by resolution of the system's Board of Directors based on the General Manager's assessment of the severity of the water shortage condition and the need to curtail water deliveries and may be adjusted periodically by resolution of the system's Board of Directors as conditions warrant. Once pro rata allocation is in effect, water diversions by or deliveries to each wholesale customer shall be limited to the allocation established for each month.

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- 2) A monthly water usage allocation shall be established by the General Manager, or his/her designee, for each wholesale customer. The wholesale customer's water usage baseline will be computed on the average water usage by month for the years 1995-2000. If the wholesale water customer's billing history is less than 5 years, the monthly average for the period for which records exist shall be used.

All new wholesale water contracts entered into or renewed after the adoption of this Plan, including contract extensions, shall contain a provision that in case of a shortage of water resulting from drought, the water to be distributed shall be divided in accordance with Texas Water Code 11.039.

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APPENDIX C

**A RESOLUTION OF THE BOARD OF DIRECTORS ADOPTING A DROUGHT
CONTINGENCY PLAN FOR MAC BEE WATER SUPPLY CORPORATION**

WHEREAS, the Board recognizes that the amount of water available to the MAC BEE Water Supply Corporation and to its wholesale water customers is limited and subject to depletion during periods of extended drought;

WHEREAS, the MAC BEE Water Supply Corporation recognizes that natural limitations due to drought conditions and other acts of God cannot guarantee an uninterrupted water supply for all purposes;

WHEREAS, Section 12.1272 of the Texas Water Code and applicable rules of the Texas Natural Resource Conservation Commission require all public water supply systems in Texas to prepare a drought contingency plan;

WHEREAS, Section 11.039 of the Texas Water Code authorizes water suppliers to distribute available water supplies on a pro rata basis during time of water supply shortage; and

WHEREAS, as authorized under law, and in the best interests of the customers of the MAC BEE Water Supply Corporation, the Board deems it expedient and necessary to establish certain rules and policies for the orderly and efficient management of limited water supplies during drought and other water supply emergencies;

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MAC BEE
WATER SUPPLY CORPORATION:**

SECTION 1. That the Drought Contingency Plan attached hereto as Exhibit "A" and hereby adopted as the official policy of the MAC BEE Water Supply Corporation.

SECTION 2. That the General Manager is hereby directed to implement, administer, and enforce the Drought Contingency Plan.

SECTION 3. That this resolution shall take effect immediately upon its passage.

**DULY PASSED BY THE BOARD OF DIRECTORS OF THE MAC BEE WATER
SUPPLY CORPORATION, ON THIS 13th day of November, 2001.**

William R. Summit
President, Board of Directors

ATTESTED TO:

Ronnie Cletty
Secretary, Board of Directors

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