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SEWER UTILITY TARIFF

FOR

Ridge Harbor Utility Company, Inc.
(Utility Name)

HCO2, Box 4616
(Business Address)

Spicewood, Texas 78669
(City, State, Zip Code)

(512) 345-6886
(Area Code/Telephone)

This tariff is effective for utility operations under the following Certificate(s) of Convenience and Necessity:

20769

This tariff is effective in the following county(ies):

Burnet

This tariff is effective in the following cities or unincorporated towns (if any):

None

This tariff is effective in the following subdivisions or systems:

Ridge Harbor, The Point

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TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

31387 GCCN 20769 JAN 14 '97

D.A. APPROVED TARIFF BY 62 ah

SECTION 1.0 - RATE SCHEDULE

Section 1.01 - Rates

Sewer rates based on water consumption

Monthly Base Rate (including 0 gallons)

Water Meter Size

5/8" or 3/4"	\$ 40.00
1"	\$ 66.80
1 1/2"	\$ 133.20
2"	\$ 213.20
3"	\$ 400.00
4"	\$ 666.80
6"	\$ 1,333.20

Gallonage Charge (same for all meter sizes)

\$ 1.50 for each 1,000 gallons of water used up to a maximum of 10,000 gallons of water use.

REGULATORY ASSESSMENT 1.0%

A REGULATORY ASSESSMENT, EQUAL TO ONE PERCENT OF THE CHARGE FOR RETAIL WATER SERVICE ONLY, SHALL BE COLLECTED FROM EACH RETAIL CUSTOMER.

Section 1.02 - Miscellaneous Fees

TAP FEE (5/8"x3/4" water meter). \$ 450.00

THE TAP FEE IS BASED ON THE AVERAGE OF THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION. PLUS ACTUAL COST OF ROAD BORES AND OTHER EXTRAORDINARY COST PERMITTED BY 30 TAC 291.86 (a) (1)(A) - (C).

OTHER TAP FEE. Actual cost

RECONNECTION FEE

THE RECONNECT FEE WILL BE CHARGED BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS:

- a) Non payment of bill (Maximum \$25.00) \$ 25.00
 - b) Customer's request \$ 25.00
- OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF

TRANSFER FEE \$ 20.00

THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHERE THE SERVICE IS NOT DISCONNECTED.

LATE CHARGE. \$2.00 OR 5%

A ONE TIME PENALTY MAY BE MADE ON DELINQUENT BILLS BUT MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RATES LISTED ARE EFFECTIVE ONLY IF THIS PAGE HAS TNRC APPROVAL STAMP

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

31387 GCCN 20769 JAN 14 97

D.A. APPROVED TARIFF BY GZ at

Section 1.02 - Miscellaneous Fees (continued)

RETURNED CHECK CHARGE \$ 25.00

SEASONAL RECONNECTION FEE Monthly rate for meter size times number of months off system, not to exceed six months

LINE EXTENSION AND CONSTRUCTION CHARGES:

In addition to the fees and charges set forth in this section, applicants for service may be charged line extension and construction charges at cost consistent with the provisions and restrictions of the TNRCC rules [30 T.A.C. 291.86(a) and (c)]. Pursuant to 30 T.A.C. 290.46(h), the Utility has adopted the Uniform Plumbing Code as the Utility's required plumbing ordinance; therefore, all plumbing and water utility construction must be constructed to these standards which become the minimum allowable standards under TNRCC's Water Hygiene Rules and Customer Service Rules.

Where necessary to serve an applicant's property, the Utility may require the applicant to provide it a permanent recorded public utility easement on and across the applicant's real property sufficient to provide service to that applicant and adjacent land owners inside the Utility's certificated service area. Such easement(s) shall not be used for the construction of production, storage or pressure facilities unless they are needed for adequate service to that applicant.

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE CLAUSE:

Increases in inspection fees and water testing costs imposed by state or Federal law may be passed through as an adjustment to the monthly base rate charge under the terms and conditions of 30 T.A.C. 291.21(k) (2) after notice to the public and the TNRCC.

RATES LISTED ARE EFFECTIVE ONLY IF THIS PAGE HAS TNRCC APPROVAL STAMP

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

31387 GCM 20769 JAN 14 97

D.A. APPROVED TARIFF BY lyzah

SECTION 2.0--SERVICE RULES AND REGULATIONS

Section 2.01--Texas Natural Resource Conservation Commission Rules

The utility will have the most current Texas Natural Resource Conservation Commission Rules, Chapter 291, Water Rates, available at its office for reference purposes. The Rules and this tariff shall be available for public inspection and reproduction at a reasonable cost. The latest Rules or Commission approved changes to the Rules supersede any rules or requirements in this tariff.

Section 2.02--Application for and Provision of Sewer Service

All applications for service will be made on the utility's standard application or contract form (attached in the Appendix to this tariff) and will be signed by the applicant before sewer service is provided by the utility. A separate application or contract will be made for each service at each separate location.

After the applicant has met all the requirements, conditions and regulations for service, the utility will install service connections, which may include a utility cut-off valve and/or take all necessary actions to initiate service. The utility will serve each qualified applicant for service within 5 working days unless line extensions or new facilities are required. If construction is required to fill the order and if it cannot be completed within 30 days, the utility will provide the applicant with a written explanation of the construction required and an expected date of service.

Where service has previously been provided, the utility will reconnect the service within one working day after the applicant has met the requirements for reconnection.

The customer will be responsible for furnishing and laying the necessary customer service pipe from the connection location to the place of use.

Section 2.03--Refusal of Service

The utility may decline to serve an applicant until the applicant has complied with the regulations of the regulatory agencies (state and municipal regulations) and for the reasons outlined in the TNRCC Rules. In the event that the utility refuses to serve an applicant, the utility will inform the applicant in writing of the basis of its refusal. The utility is also required to inform the applicant that a complaint may be filed with the Commission.

Section 2.04--Customer Deposits

If a residential applicant cannot establish credit to the satisfaction of the utility, the applicant will be required to pay a deposit as provided for in Section 1.02 of this tariff. The utility will keep records of the deposit and credit interest in accordance with TNRCC Rules.

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

31387 GCM 20769 JAN 14 97

D.A. APPROVED TARIFF BY 620h

SECTION 2.0--SERVICE RULES AND REGULATIONS (CONT.)

Residential applicants 65 years of age or older may not be required to pay deposits unless the applicant has an outstanding account balance with the utility or another water or sewer utility which accrued within the last two years.

Nonresidential applicants who cannot establish credit to the satisfaction of the utility may be required to make a deposit that does not exceed an amount equivalent to one-sixth of the estimated annual billings.

Refund of deposit - If service is not connected, or after disconnection of service, the utility will promptly refund the customer's deposit plus accrued interest or the balance, if any, in excess of the unpaid bills for service furnished. The utility may refund the deposit at any time prior to termination of utility service but must refund the deposit plus interest for any customer who has paid 18 consecutive billings without being delinquent.

Section 2.05--Meter Requirements, Readings, and Testing

It is not a requirement that the utility use meters to measure the quantity of sewage disposed of by individual customers. When a sewer utility is operated in conjunction with a water utility which serves the same customers, the charge for sewage disposal service may be based on the winter months average monthly consumption of water as registered on the customer's water meter. One connection is required for each residential, commercial or industrial facility in accordance with the TNRCC Rules.

Section 2.06--Billing

Bills from the utility will be mailed monthly unless otherwise authorized by the Commission. The due date of the bills for utility service will be at least sixteen (16) days from the date of issuance. The postmark on the bill or, if there is no postmark on the bill, the recorded date of mailing by the utility will constitute proof of the date of issuance. If the due date falls on a holiday or weekend, the due date for payment purposes will be the next work day after the due date.

A late penalty of either \$2.00 or 5.0% will be charged on bills received after the due date. The penalty on delinquent bills will not be applied to any balance to which the penalty was applied in a previous billing. The utility must maintain a record of the date of mailing to charge the late penalty.

Each bill will provide all information required by the TNRCC Rules. For each of the systems it operates, the utility will maintain and note on the monthly billing a telephone number (or numbers) which may be reached by a local call by customers. At the utility's option, a toll-free telephone number or the equivalent may be provided.

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

31387 GCOM 20769 JAN 14 '97

D.A. APPROVED TARIFF BY GZ ah

SECTION 2.0--SERVICE RULES AND REGULATIONS (CONT.)

In the event of a dispute between a customer and a utility regarding any bill for utility service, the utility will conduct an investigation and report the results to the customer. If the dispute is not resolved, the utility will inform the customer that a complaint may be filed with the Commission.

Section 2.07--Service Disconnection

Utility service may be disconnected if the bill has not been paid in full by the date listed on the termination notice. The termination date must be at least 10 days after the notice is mailed or hand delivered.

The utility is encouraged to offer a deferred payment plan to a customer who cannot pay an outstanding bill in full and is willing to pay the balance in reasonable installments. However, a customer's utility service may be disconnected if a bill has not been paid or a deferred payment agreement entered into within 26 days from the date of issuance of a bill and if proper notice of termination has been given.

Notice of termination must be a separate mailing or hand delivery in accordance with the TNRCC Rules.

Utility service may also be disconnected without notice for reasons as described in the TNRCC Rules.

Utility personnel must be available to collect payments and to reconnect service on the day of and the day after any disconnection of service unless service was disconnected at the customer's request or due to a hazardous condition.

Section 2.08--Reconnection of Service

Service will be reconnected within 24 hours after the past due bill and any other outstanding charges are paid or correction of the conditions which caused service to be disconnected.

Section 2.09--Service Interruptions

The utility will make all reasonable efforts to prevent interruptions of service. If interruptions occur, the utility will re-establish service within the shortest possible time. Except for momentary interruptions due to automatic equipment operations, the utility will keep a complete record of all interruptions, both emergency and scheduled and will notify the Commission in writing of any service interruptions affecting the entire system or any major division of the system lasting more than four hours. The notice will explain the cause of the interruptions.

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

31387 GCOM 20769 JAN 14 1997

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SECTION 2.0--SERVICE RULES AND REGULATIONS (CONT.)

Prorated Bills - If service is interrupted or seriously impaired for 24 consecutive hours or more, the utility will prorate the monthly base bill in proportion to the time service was not available to reflect this loss of service.

Section 2.10--Quality of Service

The utility will plan, furnish, and maintain and operation a treatment and collection facility of sufficient size and capacity to provide a continuous and adequate service for all reasonable consumer uses and to treat sewage and discharge the effluent at the quality required by its discharge permit issued by the Commission. Unless otherwise authorized by the Commission, the utility will maintain facilities as described in the TNRCC Rules.

Section 2.11--Customer Complaints and Disputes

If a customer or applicant for service lodges a complaint, the utility will promptly make a suitable investigation and advise the complainant of the results. Service will not be disconnected pending completion of the investigation. If the complainant is dissatisfied with the utility's response, the utility must advise the complainant that he has recourse through the Texas Natural Resource Conservation Commission complaint process. Pending resolution of a complaint, the commission may require continuation or restoration of service.

The utility will maintain a record of all complaints which shows the name and address of the complainant, the date and nature of the complaint and the adjustment or disposition thereof, for a period of two years after the final settlement of the complaint.

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

31387 BCCN 20769 JAN 14 97

D.A. APPROVED TARIFF BY 62 ah

SECTION 2.20 SPECIFIC UTILITY SERVICE RULES AND REGULATIONS

This section contains specific utility service rules in addition to the rules previously listed under Section 2.0. It must be reviewed and approved by the Commission and in compliance with the TNRCC Rules to be effective.

The utility adopts the administrative rules of the Texas Natural Resource Conservation Commission, as the same may be amended from time to time, as its company specific services rules and regulations. These rules will be kept in file at the company's offices for customer inspection during regular business hours. In the event of a conflict between the TNRCC's amended rules and the provisions of this tariff, the amended rules shall prevail. Where necessary, any conflicting provision of this tariff shall be deemed to have been superseded by the TNRCC rule in question to the degree that the Utility may conduct its lawful business in conformance with all requirements of said rule. Any cost or charge not expressly provided in this tariff by which is otherwise recoverable by TNRCC rule shall be deemed to be included herein by reference due to the utility's adoption of such rule as part of its tariff.

All payments for utility service shall be delivered or mailed to the utility's business office. If the business office fails to receive payment prior to the time of noticed disconnection for non-payment of a delinquent account, service will be terminated as scheduled. Utility service crews shall not be allowed to collect payments on customer accounts in the field.

Payment of an account by any means which has been dishonored and returned to the payor or payee's bank, shall be deemed to be delinquent. All returned checks must be redeemed with cash or money order. If a customer has two returned checks within a twelve month period, that customer shall be required to pay a deposit if one has not already been paid and make future payments by cash or money order for a period of twelve months.

Customers shall not be allowed to use the utility's cutoff valve on the utility's side of the water meter. Existing customers may install cutoff valves on their side of the water meter and are encouraged to do so. All new customers must install customer-owned and -maintained cutoff valves on their side of the water meter. These customer-owned valves shall be used in the event the customer wants to terminate the flow of water through their sewer related plumbing to make repairs, etc. The customer shall never be authorized to use the utility's valves for this purpose. If the customer requires the use of the utility's valve, the customer shall request the utility to temporarily terminate his service and shall pay the applicable state-approved fee.

Customer shall be liable for any damage or injury to utility-owned property or personnel shown to be caused by the customer, his invitee, his agents, his employees, or others under his control.

If the services of a registered professional engineer are required as a result of an application for service received by the Utility, such engineer will be selected by the utility and the Applicant, and Applicant shall bear all expenses incurred therein.

If an Applicant required service other than the standard service provided by the utility, such Applicant will be required to pay all expenses incurred by the utility in excess of the expenses that would be incurred in providing the standard service and connection. Any Applicant who places unique or non-standard service demands on the system may be required to provide contributions in aid of construction (as may be allowed by TNRCC rule) for the actual costs of any additional facilities required to maintain compliance with the Texas Natural Resource Conservation Commission minimum design criteria.

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

31387 600N 20769 JAN 14 1997

D.A. APPROVED TARIFF BY 62 ah

SECTION 2.20 SPECIFIC UTILITY SERVICE RULES AND REGULATIONS (CONT.)

Any applicant or existing customer required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be entitled to a written explanation of such costs prior to payment and/or commencement of construction. If the applicant or existing customer does not believe that these costs are reasonable or necessary, the applicant or existing customer shall have the right to appeal such costs to the TNRCC or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's or existing customer's property(ies) is located.

Tap fees may be increased by the cost of road bores where pavement cuts are not permitted or other unique costs not normally incurred as may be permitted by 30 T.A.C. 291.85(a)(1)(C).

The utility adopts the Uniform Plumbing Code. The piping and other equipment on the premises furnished by the customer will be maintained by the customer at all times in conformity with the requirements of the TNRCC, the Uniform Plumbing Code, and with the service rules and regulations of the Utility. The customer will bring out his service line to his property line at the point on the customer's property mutually acceptable to the customer and the Utility subject to such requirements as may exist by TNRCC rule.

The utility will have the right of access to the Customer's's premises at all times reasonable for the purpose of installing, inspecting or repairing equipment used in connection with its provision of sewer service, or for the purpose of removing its property and disconnecting lines, including inspecting the Customer's's plumbing for code, plumbing, or tariff violations. The customer shall allow the utility and its personnel access to the customer's property to conduct any tests or inspections required by law. Unless necessary to respond to equipment failure, leak or other condition creating an immediate threat to public health and safety or the continued provision of adequate utility service to others, such entry upon the customer's property shall be during normal business hours. The customer may require any utility representative, employee, contractor, or agent seeking to make such entry identify themselves, their affiliation with the utility, and the purpose of their entry.

Customers shall not connect, or allow any other person or party to connect onto any sewer lines on his premises. Two places shall not be permitted to be supplied with one service pipe where there is a sewer main abutting the premises.

No application, agreement or contract for service may be assigned or transferred without the written consent of the utility.

It is agreed and understood that any and all connections, collection lines and other equipment furnished by the utility (excepting the Customer's individual service lines from the point of connection to Customer's structures on Customer's premises) are and shall remain the sole property of the utility, and nothing contained herein shall be construed to reflect a sale or transfer of any such property to any Customer. All tap and extension charges shall be for the privilege of connecting to said lines and for installation, not purchase, of said property.

The disposal into the utility's sewer collection system of bulk quantities of food or food scraps not previously processed by a grinder or similar garbage disposal unit and grease and oils, except as incidental waste in process or wash water, used in or resulting from food preparation by sewer utility customers engaged in the preparation and/or processing of food for other than domestic consumption for sale to the public shall be prohibited. Specifically included in this prohibition are grease and oils from ~~grease traps to other grease and/or oil storage~~

Texas Natural Resource Conservation Commission

SECTION 2.20 SPECIFIC UTILITY SERVICE RULES AND REGULATIONS (CONT.)

containers. These substances are defined as "garbage" under Section 361.003 (12) of the Solid Waste Disposal Act, Texas Health and Safety Code, and are not "sewage" as defined by Section 26.001 (7) of the Texas Water Code. The utility only provides "sewage" collection and disposal service to the public. This service is limited to the collection, treatment and disposal of waterborne human waste and waste from domestic activities such as washing, bathing, and food preparation. This service does not include the collection, treatment or disposal of waste of such high BOD or TSS characteristics that it cannot reasonably be processed by the utility's state-approved waste water treatment plant within the parameters of the utility's state and federal waste water discharge permits. **THIS SERVICE DOES NOT INCLUDE THE COLLECTION AND DISPOSAL OF STORM WATERS OR RUN OFF WATERS, WHICH MAY NOT BE DIVERTED INTO OR DRAINED INTO THE UTILITY'S COLLECTION SYSTEM.**

Pursuant to Texas Natural Resource Conservation Commission Rule 291.86(n), the utility may charge for all labor, material, equipment, and other costs necessary to repair or replace all equipment damaged due to service diversion or the discharge of wastes which the system cannot properly treat. This shall include all repair and clean up costs associated with discharges of grease and oils, except as incidental waste in process or wash water, used in or resulting from food preparation by sewer utility customers engaged in the preparation and/or processing of food for other than domestic consumption or for sale to the public discharged from grease traps or other grease and/or oil storage containers. The utility may charge for all costs necessary to correct service diversion or unauthorized taps where there is no equipment damage, including incidents where service is reconnected without authority. The utility may not charge any additional penalty or charge other than actual costs unless such penalty has been expressly approved by the regulatory authority having rate/tariff jurisdiction and filed in the utility's tariff.

Pursuant to Texas Natural Resource Conservation Commission Rule 291.85(b) (3)(A) and (B), the customer's service line and appurtenances shall be construed in accordance with the laws and regulations of the State of Texas, local plumbing codes, or, in the absence of such local codes, the National Plumbing Code. It shall be the customer's responsibility to maintain the service line and appurtenances in good operating condition, i.e., clear of obstruction, defects, or blockage. If the utility can provide evidence of excessive, infiltration or inflow or failure to provide proper pretreatment, the utility may, with the written approval of the TNRCC's executive director, require the customer to repair the line or eliminate the infiltration or inflow or take such actions necessary to correct the problem. If the customer fails to correct the problem within a reasonable time, the utility may disconnect service after proper notice.

Any and all sewer lines, tanks, grinders, lift stations, pumps and other equipment from the point of connection to the Utility's collection mains upstream to the Customer's point of generation of waste shall be installed and maintained by the Customer. Such facilities must comply with the plumbing standards of the utility and the TNRCC and shall be subject to inspection and approval by Utility. Utility shall be authorized to use any customer-owned wet well or lift station for waste testing purpose.

Copies of the utility's state and federal waste water discharge permits shall be available for public inspection and copying in the utility's business office during normal business hours.

Non-residential customers electing the pretreatment option for sewage with non-standard characteristics may be charge those costs set forth in the utility's extension policy if such pretreatment fails or otherwise causes the utility's facilities to violate their waste-water discharge permits.

SECTION 3.0--EXTENSION POLICY

Section 3.01--Standard Extension Requirements

LINE EXTENSION AND CONSTRUCTION CHARGES. No contribution in aid of construction may be required of any customer except as provided for in this approved extension policy.

The customer will be given an itemized statement of the costs, options such as rebates to the customer, sharing of construction costs between the utility and the customer, or sharing of costs between the customer and other applicants prior to beginning construction.

The utility will bear the full cost of any over sizing of collection mains necessary to serve other customers in the immediate area. The individual residential customer shall not be charged for any additional treatment capacity or facilities. Contributions in aid of construction may not be required of individual residential customers for treatment capacity or collection facilities unless otherwise approved by the Commission under this specific extension policy.

COST UTILITIES SHALL BEAR. Within its certificate area, the utility will pay the cost of the first 200 feet of any sewer collection line necessary to extend service to an individual residential customer within a platted subdivision. However, if the residential customer requesting service purchased the property after the developer was notified of the need to provide facilities to the utility, the utility may charge for the first 200 feet. The utility must also be able to document that the developer of the subdivision refused to provide facilities compatible with the utility's facilities in accordance with the utility's approved extension policy after receiving a written request from the utility.

Developers may be required to provide contributions in aid of construction in amounts to furnish the system with all facilities necessary to comply with the Texas Natural Resource Conservation Commission's Rules.

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

31387 GCON 20769 JAN 14 '97

D.A. APPROVED TARIFF BY GZ ph

SECTION 3.20--SPECIFIC UTILITY EXTENSION POLICY

This section contains the utility's specific extension policy which complies with the requirements already stated under Section 3.01. It must be reviewed and approved by the Commission and in compliance with TNRCC Rules to be effective.

Residential Customers not covered under Section 3.01 will be charged the equivalent of the costs of extending service to their property from the nearest collection line even if that line does not have adequate capacity to serve the Customer. However, if the Customer places unique, nonstandard service demands upon the system, the Customer may be charged the full cost of extending service to and throughout their property, including the cost of all necessary treatment capacity necessary to meet the service demands anticipated to be created by that property.

Developers will be required to provide contributions in aid of construction in amounts sufficient to furnish the development with all facilities necessary to provide for reasonable local demand requirements and to comply with Texas Natural Resource Conservation Commission's minimum design criteria for facilities used in collecting, treating, transmitting and discharging of wastewater effluent. For purposes of this subsection, a developer is one who subdivides or requests more than two connections on a piece of property. Commercial, industrial, and wholesale Customers will be treated as developers.

The utility adopts the administrative rules of the TNRCC, as amended from time to time, as its company specific extension policy. These rules will be kept on file at the company's business office for Customer inspection during normal business hours. In the event of a conflict between the TNRCC's amended rules and the provisions of this tariff, the amended rules shall prevail. Where necessary, any conflicting provision of this tariff shall be deemed to have been superseded by the TNRCC rule in question to the degree that the Utility may conduct its lawful business in conformance with all requirements of said rule. Any cost or charge not expressly provided in this tariff by which is otherwise recoverable by TNRCC rule shall be deemed to be included herein by reference due to the utility's adoption of such rule as part of its tariff.

Non-residential customers generating sewage creating unique or non-standard treatment demands which might reasonably be expected to cause the utility's treatment facilities to operate outside their current waste-water discharge permit parameters may be charged the cost of all studies, engineering plans, permit costs, and collection treatment or discharge facilities construction or modification costs necessary to enable the utility to treat said sewage within permit limits acceptable to the Texas Natural Resource Conservation Commission, EPA and other regulatory agencies. In the alternative, the customer may have the option of pre-treating said sewage in such a manner to that it may not reasonably be expected to cause the utility's facilities to operate outside their permit parameters. In such case, the customer shall be required to pay the utility's costs of evaluating such pretreatment processes and cost of obtaining regulatory approval of such pretreatment processes. In the event of the pretreatment facilities of a customer making this election fail and cause the utility's facilities to operate outside their permit parameters, the customer shall indemnify the utility for all costs incurred for clean ups or environmental remediation and all fines, penalties, and costs imposed by regulatory or judicial enforcement actions relating to such permit violations.

Any applicant or existing customer required to pay any costs not specifically set forth in the rate schedule pages of this tariff shall be entitled to a written explanation of such costs prior to payment and/or commencement of construction. If the applicant or existing customer does not believe that these costs are reasonable or necessary,

SECTION 3.20--SPECIFIC UTILITY EXTENSION POLICY (CONT.)

the applicant or existing customer shall have the right to appeal such costs to the TNRCC or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's or existing customer's property(ies) is located. Unless the TNRCC or other regulatory authority enters interlocutory orders to the contrary, service to the applicant may be delayed until such appeal is resolved.

Any and all sewer lines, tanks, grinders, lift stations, pumps and other equipment from the point of connection to the Utility's collection mains upstream to the Customer's point of generation of waste shall be installed and maintained by the Customer. Such facilities must comply with the plumbing standards of the utility and the TNRCC and shall be subject to inspection and approval by Utility.

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

31387 6001 20769 JAN 14 '97

D.A. APPROVED TARIFF BY 62 al

RIDGE HARBOR UTILITY COMPANY, INC.

HCO2, Box 4616
Spicewood, Texas 78669
(512) 345-6886

CONTRACT/APPLICATION FOR UTILITY SERVICE

1. Name of applicant: _____
Applicant is: landowner _____ tenant _____
Driver Lic. # _____ SS# _____

2. Address or location of requested service:

Subdivision: _____
Block: _____ Lot: _____

3. Name of person responsible for utility service bills:
_____ Relationship: _____
Driver Lic. # _____ SS# _____

4. Billing address if different from #2:

5. Type of service: water _____ sewer _____
residential _____ permanent _____
commercial _____ temporary _____
industrial _____ temporary service termination
developer _____ date: _____

6. Customer deposit: Exempt from deposit _____
Amount paid _____ Date paid _____
Date returned _____ Amount returned _____

7. Date of application: _____
Date service to start: _____
Date service terminated: _____

8. Misc. fees required as a condition of service:
Type: _____
Amount: \$ _____ Refundable: Yes ___ No ___

CUSTOMER LIABILITY: Customer shall be liable for any damage or injury to utility-owned property or personnel shown to be caused

by the customer, his invitees, his agents, his employees, or others under his control.

LIMITATION ON UTILITY PRODUCTION/SERVICE LIABILITY: Public water utilities are required to deliver water to the customer's side of the meter or service connection which meets the potability and pressure standards of the Texas Natural Resource Conservation Commission ("TNRCC"). The Utility will not accept liability for any injury or damage to individuals or their property occurring on the customer's side of the meter when the water delivered meets these state standards. The utility makes no representations or warranties (expressed or implied) that customer's appliances will not be damaged by disruptions of or fluctuations in water service whatever the cause. The utility will not accept liability for injuries or damages to persons or property due to disruption of water service caused by: (1) acts of God, (2) acts of third parties not subject to the control of the utility if the utility has undertaken such preventive measures as are required by TNRCC rules, (3) electrical power failures in water systems not required by TNRCC rule to have auxiliary power supplies, or (4) termination of water service pursuant to the utility's tariff and the TNRCC's rules. The utility is not required by law and does not provide fire prevention or fire fighting services. The utility therefore does not accept liability for fire-related injuries or damages to persons or property caused or aggravated by the availability (or lack thereof) of water or water pressure (or lack thereof) during fire emergencies. The utility will accept liability for any injury or damage to individuals or their property directly caused by defective utility plant (leaking water lines or meters) or the repairs to or construction of the utility's facilities.

EXTENSION AND FACILITIES: If the services of a registered professional engineer are required as a result of an application for service received by the Utility, such engineer will be selected by the Utility and the Applicant, and Applicant shall bear all expenses incurred therein.

If an Applicant requires service other than the standard service provided by the Utility, such Applicant will be required to pay all expenses incurred by the utility in excess of the expenses that would be incurred in providing the standard service and connection. Any applicant who places unique or non-standard service demands on the system may be required to provide contributions in aid of construction for the actual costs of any additional facilities required to maintain compliance with the TNRCC's minimum design criteria for Public Drinking Water Systems.

The Utility shall bear all expense related to main oversizing or additional production, storage, or treatment facilities for individual residential customers.

The piping and other equipment on the premises furnished by the Customer will be maintained by the Customer at all times in conformity with the requirements of the applicable regulatory authorities and with the service rules and regulations of the Utility. The Customer will bring out his service line to his property line at a point mutually acceptable to the Utility and the customer. No water service smaller than 5/8" will be connected.

Except in cases where the customer has a contract with the Utility for reserve or auxiliary service, no other water service will be used by the Customer on the same installation in conjunction with the Utility's service, either by means of a cross-over valve or any other connection. Customer shall not connect, or allow any other person or party to connect, onto any water lines on his premises. Two places shall not be permitted to be supplied with one service pipe where there is a water main abutting the premises; each shall have separate service lines and meters. For the purposes of this paragraph, each residence shall be construed to be one entity or consuming facility.

It is agreed and understood that any and all meters, water lines and other equipment furnished by the Utility (excepting the Customer's individual service lines from the point of connection to Customer's structures on Customer's premises) is and shall remain the sole property of the Utility, and nothing contained herein shall be construed to reflect a sale or transfer of any such meters, lines or equipment to any customer. All tap charges shall be for the privilege of connecting to said water lines and for installation, not purchase, of said meters and lines.

ASSIGNMENT: No application, agreement or contract for service may be assigned or transferred without the written consent of the Utility.

RIGHT OF ACCESS (EASEMENT): The Utility will have the right of access to the Customer's premises at all times reasonable for the purpose of installing, inspecting or repairing water mains or other equipment used in connection with its provision of water service, or for the purpose of removing its property and disconnecting lines, and for all other purposes necessary to the operation of the utility system including inspecting the

customer's plumbing for code, plumbing or tariff violations. This right of access (easement) shall not include the right to construct and maintain production, storage or treatment facilities unless these facilities are required to provide continuous and adequate service to the individual property in question. If there is not a recorded perpetual public utility easement on the property to be serve adequate for service to this property and adjoining properties, the utility can require the customer/landlord to provide such easement at their cost as a condition of receiving service.

LANDLORD GUARANTEE: Applications by tenants must be countersigned by the owner of the property. By signing the application, the landlord grants all required rights of access (easements). The landlord GUARANTEES PAYMENT for all utility service charges and fees incurred by or compensable damages caused by their tenant IF the landlord is designated above as the person responsible for the bill.

PLUMBING RESTRICTIONS:

The following undesirable plumbing practices are prohibited by state regulations:

A. No direct connection between the public drinking water supply and a potential source of contamination is permitted. Potential sources of contamination shall be isolated from the public drinking water system by an air-gap only.

B. No cross-connection between the public drinking water supply and a private water system is permitted. These potential threats to the public drinking water supply shall be eliminated at the service connection by the installation of an air-gap only.

C. No connection which allows water to return to the public drinking water supply is permitted.

D. No pipe or pipe fitting which contains more than 8.0% lead may be used for the installation or repair of plumbing at any connection which provides water for human use.

E. No solder or flux which contains more than 0.2% lead can be used for the installation or repair of plumbing at any connection which provides water for human use.

PLUMBING INSPECTION: If required by state law, applicants for service at new consuming facilities or facilities which have undergone extensive plumbing modifications may be required to deliver to the Utility a certificate that their facilities have been inspected by a state-licensed inspector and that they are in

compliance with all applicable plumbing codes and are free of potential hazards to public health and safety. Service may be denied until the certificate is received or any identified violations or hazards remedied. When potential sources of contamination are identified which, in the opinion of the inspector or the Utility, require the installation of a state-approved backflow prevention device, such back flow prevention device shall be installed on the customer's service line or other necessary plumbing facilities by an appropriately licensed plumber/back flow prevention device specialist at the customer's expense. The backflow prevention device shall be maintained by the customer at his expense and inspected annually by a licensed inspector. Copies of the annual inspection report must be provided to the Utility. Failure to comply with this requirement may constitute grounds for termination of water service with notice.

SEWER REGULATIONS: The disposal into the utility's sewer collection system of bulk quantities of food or food scraps not previously processed by a grinder or similar garbage disposal unit and grease and oils, except as incidental waste in process or wash water, used in or resulting from food preparation by sewer utility customers engaged in the preparation and/or processing of food for other than domestic consumption for sale to the public shall be prohibited. Specifically included in this prohibition are grease and oils from grease traps to other grease and/or oil storage containers. These substances are defined as "garbage" under Section 361.003 (12) of the Solid Waste Disposal Act, Texas Health and Safety Code, and are not "sewage" as defined by Section 26.001 (7) of the Texas Water Code. The utility only provides "sewage" collection and disposal service to the public. This service is limited to the collection, treatment and disposal of waterborne human waste and waste from domestic activities such as washing, bathing, and food preparation. This service does not include the collection, treatment or disposal of waste of such high BOD or TSS characteristics that it cannot reasonably be processed by the utility's state-approved waste water treatment plant within the parameters of the utility's state and federal waste water discharge permits. THIS SERVICE DOES NOT INCLUDE THE COLLECTION AND DISPOSAL OF STORM WATERS OR RUN OFF WATERS, WHICH MAY NOT BE DIVERTED INTO OR DRAINED INTO THE UTILITY'S COLLECTION SYSTEM.

Pursuant to TNRCC Rule 291.86(n), the utility may charge for all labor, material, equipment, and other costs necessary to repair or replace all equipment damaged due to service diversion or the

discharge of wastes which the system cannot properly treat. This shall include all repair and clean up costs associated with discharges of grease and oils, except as incidental waste in process or wash water, used in or resulting from food preparation by sewer utility customers engaged in the preparation and/or processing of food for other than domestic consumption or for sale to the public discharged from grease traps or other grease and/or oil storage containers.

Pursuant to TNRCC Rule 291.85(b) (3), the customer's service line and appurtenances shall be construed in accordance with the laws and regulations of the State of Texas, local plumbing codes, or, in the absence of such local codes, the National Plumbing Code. It shall be the customer's responsibility to maintain the service line and appurtenances in good operating condition, i.e., clear of obstruction, defects, or blockage. If the utility can provide evidence of excessive, infiltration or inflow or failure to provide proper pretreatment, the utility may, with the written approval of the TNRCC's executive director, require the customer to repair the line or eliminate the infiltration or inflow or take such actions necessary to correct the problem. If the customer fails to correct the problem within a reasonable time, the utility may disconnect service after proper notice.

Any and all sewer lines, tanks, pumps and other equipment furnished by the utility (excepting the customer's individual service lines from the point of connection to customer's structures on customer's premises) are and shall remain the sole property of the utility, and nothing contained herein shall be construed to reflect a sale or transfer of any such meters, lines or equipment to any customer. All tap charges shall be for the privilege of connecting to said lines and equipment.

In accordance with the requirements of utility's Waster Discharge Permit, any and all repairs and maintenance of utility's lines, tanks, pumps and equipment located on customer's premises shall be performed exclusively by the utility.

Non-residential customers electing the pretreatment option for sewage with non-standard characteristics may be charge those costs set forth in the utility's extension policy if such pretreatment fails or otherwise causes the utility's facilities to violate their waste-water discharge permits. Residential customers not covered under Section 3.01 will be charged the equivalent of the costs of extending service to their property from the nearest

collection line even if that line does not have adequate capacity to serve the customer. However, if the customer places unique, non-standard service demands upon the system, the customer may be charged the full cost of extending service to and throughout their property, including the cost of all necessary treatment capacity necessary to meet the service demands anticipated to be created by that property.

Developers will be required to provide contributions in aid of construction in amounts sufficient to furnish the development with all facilities necessary to provide for reasonable local demand requirements and to comply with the TNRCC's minimum design criteria for facilities used in collecting, treating, transmitting, and discharging of waste-water effluent. For purposes of this subsection, a developer is one who subdivides or requests more than two connections on a piece of property. Commercial, industrial, and wholesale customers will be treated as developers.

Non-residential customers generating sewage creating unique or non-standard treatment demands which might reasonably be expected to cause the utility's treatment facilities to operate outside their current waste-water discharge permit parameters may be charged the cost of all studies, engineering plans, permit costs, and collection treatment or discharge facilities construction or modification costs necessary to enable the utility to treat said sewage within permit limits acceptable to the TNRCC, EPA and other regulatory agencies. In the alternative, the customer may have the option of pre-treating said sewage in such a manner to that it may not reasonably be expected to cause the utility's facilities to operate outside their permit parameters. In such case, the customer shall be required to pay the utility's costs of evaluating such pretreatment processes and cost of obtaining regulatory approval of such pretreatment processes. In the event of the pretreatment facilities of a customer making this election fail and cause the utility's facilities to operate outside their permit parameters, the customer shall indemnify the utility for all costs incurred for clean ups or environmental remediation and all fines, penalties, and costs imposed by regulatory or judicial enforcement actions relating to such permit violations.

APPEAL TO THE TNRCC OR OTHER REGULATORY AUTHORITY: Any applicant or existing customer required to pay for any costs not specifically set forth in the rate schedule pages of the Utility's approved tariff shall be entitled to a written explanation of such

costs prior to payment and/or commencement of construction. If the applicant or existing customer does not believe that these costs are reasonable or necessary, the applicant or existing customer shall have the right to appeal such costs to the TNRCC or such other regulatory authority having jurisdiction over the Utility's rates in that portion of the Utility's service area in which the applicant's or existing customer's property(ies) is located. Unless the TNRCC or other regulatory authority enters interlocutory orders to the contrary, service to an applicant may be delayed until such appeal is resolved.

CUSTOMER AGREEMENT: BY SIGNING THIS APPLICATION FOR PUBLIC UTILITY SERVICE, I AGREE TO COMPLY WITH THE UTILITY'S TARIFF AND ALL RULES AND REGULATIONS OF THE TNRCC AND OTHER APPLICABLE REGULATORY AGENCIES. I GUARANTEE PROMPT PAYMENT OF ALL UTILITY BILLS FOR THE SERVICE ADDRESS PRINTED ABOVE. I AGREE TO REMAIN RESPONSIBLE FOR UTILITY BILLS FOR THIS SERVICE ADDRESS FROM THE DATE SERVICE IS STARTED UNTIL THE DATE SERVICE IS TERMINATED. I UNDERSTAND THAT SERVICE WILL NOT BE TERMINATED VOLUNTARILY UNTIL I REQUEST IT IN WRITING.

I AGREE TO TAKE NO ACTIONS TO CREATE A HEALTH HAZARD OR OTHERWISE ENDANGER THE UTILITY'S PLANT, ITS PERSONNEL, OR ITS CUSTOMERS. I AGREE TO PUT NO UNUSUAL, NON-DOMESTIC SERVICE DEMANDS ON THE UTILITY SYSTEM WITHOUT NOTICE TO AND PERMISSION FROM THE UTILITY.

I HAVE BEEN SHOWN A COPY OF THE UTILITY'S TNRCC-APPROVED TARIFF AND I AGREE TO PAY THE RATES IN THE TARIFF AND ABIDE BY THE REQUIREMENTS IN THIS APPLICATION. I ACKNOWLEDGE THAT THE RATES AND/OR TERMS OF SERVICE IN THE TARIFF MAY BE CHANGED BY FUTURE ORDER OF THE TNRCC OR OTHER REGULATORY AUTHORITY HAVING JURISDICTION OVER THE UTILITY'S RATES.

Applicant

Guarantor or Landlord

Utility Representative

Date Application Accepted