

DEVELOPER, SUBDIVISION, AND NON-STANDARD SERVICE REQUIREMENTS

1. *Corporation's Limitations.* All Applicants shall recognize that the Corporation must comply with local, state, and federal rules and regulations as promulgated from time to time, and by covenants of current indebtedness. The Corporation is not required to extend retail utility service to an applicant in a subdivision where the responsible party (Applicant/Developer) of the applicable property (subdivision) has failed to comply with the terms of this policy. §13.2502 of the Texas Water Code requires that notice be given herein or by publication (See Miscellaneous Transaction Forms) or by alternative means to the Developers/Applicants. (also see Section F. 11.) The Corporation has adopted a policy of publishing this statutory notice annually as well as providing individual notice to potential land developers when they inquire about water utility service.
2. *Purpose.* This Section is applicable to subdivisions, additions to subdivisions, developments, or whenever additional service facilities are required. For the purposes of this Tariff, Applications subject to this Section shall be defined as Non-Standard.
3. *Application of Rules.* This Section may be altered or suspended for planned facility expansions when the Corporation extends its indebtedness. The Board of Directors of the Corporation shall interpret on an individual basis whether or not the Applicant's service request shall be subject to all or part of the conditions of this Section. The rules may also be altered or suspended for cause when adherence would work an unreasonable hardship on the applicant, would unnecessarily delay the extension of service to an otherwise qualified service applicant or when the service request at issue only requires the extension of existing water lines to the property line of a single residential or other low demand customer and the General Manager already knows that the Corporation has the available service capacities to meet that individual Applicant's demands. Only the Corporation's Board of Directors may alter or suspend these rules on the basis of unreasonable hardship on the applicant, would unnecessarily delay the extension of service to an otherwise qualified service applicant. The General Manager is authorized to alter or suspend the rules as applied to a single residential or low demand service Applicant.
4. *Non-Standard Service Application.* The Applicant shall meet the following requirements prior to the initiation of a Service Contract by the Corporation:
 - e. The Applicant shall provide the Corporation a completed Service Application And Agreement giving special attention to the item on SPECIAL SERVICE NEEDS OF THE APPLICANT.
 - f. A final plat approved by the Corporation (or one capable of being approved by the Corporation's Board of Directors at their option if the plat has not otherwise been pre-approved by the appropriate municipal or county government) showing the requested service area must accompany the application. All easements for public utility facilities of the Corporation must be clearly designated as exclusive easements of the Corporation. There may not be any overlap with roadway dedications, other public utility easements, or other property dedications. All regulatory authorities having jurisdiction over lot sizes, sewage control, drainage, right of way, streets, and other service facilities must approve the plat. Plans, specifications and special requirements

of such regulatory authorities shall be submitted along with the plat. The requirement to submit an approved plat map may be waived by the General Manager, after consultation with the Corporation's consulting engineer, if the General Manager finds that the alternative maps or plats submitted will be adequate to conduct the engineering feasibility study. A certified copy of the approved plat must be filed with the General Manager within three business days of its approval by all required governmental bodies.

- g. Applicants for single taps involving a line extension or up-sizing of facilities shall be required to submit maps or plans detailing the location of the requested extension and details of demand requirements. The final placement of any easements for the benefit of the Corporation shall be subject to the sole discretion of the Corporation's Board of Directors in consultation with their consulting engineer and attorney. While the developer/landowner's desires and needs shall be given due consideration, the long-term needs and service convenience of the Corporation shall control.
- h. Before a plat can be finalized, the placement of water lines, easements and other utilities must be clearly shown. All easements for public utility facilities of the District must be clearly designated as exclusive easements of the District. There may not be any overlap with roadway dedications, other public utility easements, or other property dedications. All regulatory authorities having jurisdiction over lot sizes, sewage control, drainage, right of way, streets, and other service facilities must approve the plat. Plans, specifications and special requirements of such regulatory authorities shall be submitted along with the plat. Applicants for single taps involving a line extension or up-sizing of facilities shall be required to submit maps or plans detailing the location of the requested extension and details of demand requirements.
- i. Any subdivision to be developed in the Corporation's service area requesting ten (10) or more Living Unit Equivalents (LUE), will be required to provide permanent recorded water rights with required groundwater conservation district (GCD) pumpage permits or long-term purchased water capacity, at the rate of one-half acre-foot per LUE. For purposes of this subsection, "long-term" shall mean a primary term of not less than twenty (20) years or a series of consecutive contract terms of not less than twenty (20) years. The preferred term shall be forty- (40)- years. The term of availability and the degree of reliability of the water purchased water supply are the most critical terms. So long as they remain within a range of reasonableness for purchased water in this region, the prices paid for the purchased water under such contracts may be adjustable. The applicant shall be required to guarantee and pay any "take-or-pay" or similar terms in a purchased water contract submitted to meet the obligations of this section. The applicant shall not be required to pay that portion related to the monthly purchased water bill for water consumed by Corporation water customers and for which the Corporation is collecting normal water service fees.
- j. All water rights or purchased capacities provided must be reviewed by the Corporation's Engineer and Attorney and approved by the Corporation's Board of Directors before being accepted. For the purpose of this Section, an "LUE" shall be deemed a water service connection with a coincidental peak demand of 10 gpm or less. If a water service connection will have a

coincidental peak demand of 10 gpm or more, the Applicant shall provide a proportionately larger permitted water service capacity. The increased water service capacity requirement shall be calculated by multiplying the AWWA meter equivalency factor for the larger meter to be used to meet the greater service demand by the one-half acre-foot. Service will not be initiated until these water service capacities have been permanently transferred to the Corporation.

- k. At the sole option of the Corporation's Board of Directors, a developer or landowner subject to this water service capacity requirement may be authorized to meet its obligation through the payment of monetary consideration to be used to acquire the needed water service capacity. This payment shall be applied to reimburse the Corporation for existing water rights or purchased water capacity already held by the Corporation that have not previously been dedicated to or reserved for other Corporation customers. This option shall not be interpreted to mean that a non-standard Applicant may meet its water supply obligations merely paying the Corporation a fee and requiring the Corporation to shop the market for that Applicant's water supply. This option shall be preferred when more than one developer or landowner are requesting service to the same general area at the same time and their combined service demands can be met through a single water rights acquisition or long-term purchased water contract..

- l. If after the service investigation has been completed, the Corporation determines that the Applicant's service request is for property outside the area dedicated in the Corporation's Certificate of Convenience and Necessity, service may be extended, at the Corporation' sole discretion and without obligation, provided that:
 - 1) The service location is contiguous to or within one-fourth (1/4) mile of the Corporation's Certificated Service Area;
 - 2) The service location is not in an area receiving similar service from another utility; and
 - 3) The service location is not within another utility's Certificate of Convenience and Necessity.

- m. The conditions precedent shall apply, in the order presented, after the Corporation's consulting engineer has finished the engineering feasibility study and has submitted his preliminary service plant to the Board of Directors for review and approval.
 - 1) The Board of Directors shall review and consider the Non-Standard Service Investigation Report (engineering feasibility study), after notice to the Applicant, at a noticed meeting of the Board. If the Board determines that the Corporation can meet the non-standard service request, the Board shall approve the plan (of the possible alternatives) submitted by the consulting engineer that the Board deems most appropriate. This decision shall be made after due consideration of the Corporation's obligation to serve under its certificate of convenience and necessity and the impact of the service alternatives will have on the Applicant and the Corporation's existing customers. Due to the variable market for needed materials and supplies, estimates or calculations for the cost of construction of utility plant and/or

upgrades that will be necessary to meet the service demands of the service application shall be good only for the date of presentation by the Corporation's engineer. Following the date of presentation, the cost of materials and supplies for construction are subject to adjustment to reflect current market prices.

- 2) Corporation's approval of the Application after its review and approval of the Non-Standard Service Investigation Report from the Corporation's engineer shall remain in effect for a period of thirty (30) days. If the Applicant has not proceeded with each required condition precedent listed herein within the prescribed time period, the Corporation's approval shall become void and the Applicant shall have to begin the application process anew.
- 3) Within the first ten (10) days of Corporation's approval of the Non-Standard Service Investigation Report and the selection of the acceptable service plan, the Applicant must pay all applicable membership fees at the Corporation's office by cashier's check. The payment of impact fees, inspection fees or other extension charges shall not be required at this time unless otherwise directed by the Board at the time of approval. Payment of the membership fees shall conditionally reserve an adequate supply of water to meet the domestic potable water requirements of the Applicant's proposed service location. This capacity reservation is contingent upon satisfactory completion of all other obligations imposed upon the Applicant by this tariff. If the Applicant defaults on any condition precedent listed herein, the water capacity reservation shall be forfeited and may only be reacquired by beginning the application process anew. No capacity reservation for fire flows or other non-potable domestic water utility service need shall be made merely by paying membership fees. Water service capacity for non-utility needs shall only be final when a separate contract is executed and all costs associated therewith are paid.
- 4) Once the application is made and the investigation fee paid, all tariffed fees and extension charges are grandfathered as to that application with the exception of material and supply costs discussed below. If the Applicant makes any material change to his service request after the Board of Directors' approval, the application is voided and all approvals and grandfathering of fees and charges are automatically withdrawn. If the Applicant fails to fully comply with any obligation imposed upon him by this subsection, the application is voided and all prior approvals and grandfathering of fees and charges are automatically withdrawn. The deadlines established in this subsection may be extended by the Corporation's Board of Directors on a case-by-case basis for good cause only at the next regular Board of Directors meeting following the expiration of the approval. Thereafter, the Applicant shall be required to make a complete new Non-Standard Service Application and begin the full application process over.

- 5) Within the first ten (10) days of Corporation's approval of the Non-Standard Service Investigation Report and the selection of the acceptable service plan, the Applicant shall pay the estimated engineering, surveying and legal fees for this application at the Corporation's office by cashier's check. Upon receipt of these fees, the Corporation's consulting engineer shall begin preparation of the complete design and construction plans. The Corporation's attorney shall begin preparation of the final non-standard service contract.
- 6) After the design and construction plans are prepared, they shall be submitted to the Corporation's Board with a copy to the Applicant. The Applicant shall be given the option of selecting the Board meeting he/she wishes to have the Board consider and approve the design and construction plans before the solicitation of construction bids. The Applicant's option period shall be sixty (60) days or until the second regular monthly Board meeting following the engineer's release of the design and construction plans, whichever is later. Once the Board has approved the design and construction plans, the Applicant must prosecute its service request on the time line of this subsection or the application shall become void. Then the Applicant must start the application process anew.
- 7) After the Board has approved the design and construction plans, it shall authorize the General Manager, in association with the engineer and attorney, to solicit construction bids. The Applicant may nominate any qualified contractor(s) to receive copies of the bid solicitation materials and notices. Unless the Corporation has had a history of poor performance or inferior construction from the Applicant's nominated contractor(s), said contractor(s) shall have any equal opportunity to receive the final construction contractor as any other bidder. Solicitation of bids shall not be required for small construction projects or lined line extensions if the Corporation can easily fulfill the construction requirements with the contractor(s) used in the routine operation of the water system. The Applicant is always entitled to have his/her project submitted to bids if they are not satisfied with relying on the Corporation's customary contractor(s); however, this is no guarantee that the Corporation's customary contractor(s) will not be the winning bidder(s).
- 8) Due to the variable market for needed materials and supplies, quotations for the cost of construction of

utility plant and/or upgrades that will be necessary to meet the service demands of the service application shall be required to be firm and binding for the first thirty (30) days following submittal of a construction bid. Thereafter, the construction bid may include an adjustment provision to reflect current market prices. Any such post-submittal adjustment must be supported by written documentation justifying the change and shall be subject to approval by the Corporation's General Manager and consulting engineer. If an adjustment mechanism is included in the bid, it must be included in the final construction contract and subject to the same approvals by the Corporation's General Manager and consulting engineer.

- 9) After construction bids are received, they shall be opened at the place designated in the solicitation documents. The bids shall be evaluated by the Corporation's General Manager and consulting engineer and presented to the Board for final approval. After review and discussion in a noticed public meeting, the Board shall select the winning bid and empower the General Manager, engineer and attorney to proceed with the necessary contracts and construction.
 - 10) Within the first thirty (30) days of the Corporation's selection of the winning construction bid, the Applicant must do the following:
 - a. The Applicant must execute the final Non-Standard Service Contract. The final Non-Standard Service Contract may be reviewed and approved by the Corporation's Board of Directors after the 30-day approval period without adverse impact to the Applicant.
 - b. The Applicant must pay all impact, inspection, taps and other tariffed fees associated with every potential service connection for which application has been made. These fees are to be paid at the Corporation's office by cashier's check.
 - c. The Applicant shall fund the construction escrow account at the Corporation's designated bank. This Applicant shall deposit the full estimated cost of the construction identified by the Corporation's consulting engineer, subject to variable material and supply costs as provided herein.
5. *Design.* The Corporation shall study the design requirements of the Applicant's required facilities prior to initiation of a Service Agreement by adopting the following schedule:
- a. The Corporation's Consulting Engineer shall design all service facilities for the Applicant's requested service within the Corporation's specifications or within certain codes and specifications of neighboring municipalities for all Non-Standard Service Applications that lie within the enforced extra territorial jurisdiction of a municipality.
 - b. The Engineer's fees shall be paid out of the Non-Standard Service Investigation Fee, provided the actual costs of the Engineer's services do not exceed the amount of the Non-Standard Service Investigation Fee allotted for engineering services. If the Applicant's services exceed the allotted fee, the Applicant shall pay the balance of engineering fees prior to commencing with the service investigation.
 - c. The Consulting Engineer shall submit to the Corporation a set of detailed plans, specifications, and cost estimates for the project.
 - d. If no local authority imposes other design criteria on the Applicant's service request, the Corporation's Engineer shall design all facilities for any Applicant to meet the demand for service as platted and/or requested in the plans or plat submitted in application for service. The Corporation reserves the right to upgrade design of service facilities to meet future demands, provided however, that the

Corporation pays the expense of such upgrading above the Applicant's facility requirements.

6. *Non-Standard Service Contract.* All Applicants requesting or requiring Non-Standard Service shall enter into a written contract, drawn up by the Corporation's Attorney, in addition to submitting the Corporation's Service Application and Agreement. Said contract shall define the terms of service prior to construction of required service facilities. Guidelines for the service contract may include, but are not limited to:
 - a. All costs associated with required administration, design, construction, and inspection of facilities for water service to the Applicant's service area and terms by which these costs are to be paid.
 - b. Procedures by which the Applicant shall accept or deny a contractor's bid, thereby committing to continue or discontinue the project.
 - c. Equity Buy In Fee (Impact Fees) required by the Corporation in addition to the other costs required under this Section. In the event the Corporation's Engineer, with concurrence of the Board of Directors, determines that the Applicant's development can best be served by the construction of a separate stand-alone water system, the Board may waive all or part of applicable Equity Buy In or capital recovery fees. This may occur when the Applicant pays for all of the production, storage treatment, pressure and distribution plant deemed necessary by the Corporation for all of the long term service demands of the property, including without limitation, purchased wholesale water capacity or related fees, legal and other consultant fees and/or underground water production permit fees, and no other service capacity of the Corporation shall be needed to serve that development.
 - d. Monthly Reserved Service Charges as applicable to the service request. In the event the Corporation's Engineer, with concurrence of the Board of Directors, determines that the Applicant's development can best be served by the construction of a separate stand-alone water system, the Board may waive all or part of applicable monthly reserved service charges. This may occur when the Applicant pays for all of the production, storage treatment, pressure and distribution plant deemed necessary by the Corporation for all of the long term service demands of the property, including without limitation, purchased wholesale water capacity or related fees, legal and other consultant fees and/or underground water production permit fees, and no other service capacity of the Corporation shall be needed to serve that development. The Applicant may still be charged the Corporation's cost of maintaining yet unutilized plant capacity until such time that capacity is dedicated to active service meters. The amount and method of calculation of such charges shall be negotiated and set forth in the non-standard service contract for that development.
 - e. Terms by which reserved service shall be provided to the Applicant and duration of reserved service with respect to the impact the Applicant's service request will have upon the Corporation's system capability to meet other service requests.
 - f. Terms by which the Applicant shall be reimbursed or compensated for fees duplicated in assessments for monthly rates and Equity Buy In Fees. This shall

include the waiver or repayment of Equity Buy In Fees up to but not to exceed the amount the Applicant directly pays for the production, storage treatment, pressure and distribution plant deemed necessary by the Corporation for all of the long term service demands of the property and/or other portions of the Corporation's certificated service area.

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

- 1) Design of the Applicant's service facilities;
- 2) Securing and qualifying bids;
- 3) Selection of a qualified bidder for construction;
- 4) Execution of the Service Agreement;
- 5) Pay all tariff fees not heretofore paid, I, e., impact, right-of-way fees, inspection, and tap fees;
- 6) Creation and funding of the escrow construction account;
- 7) Dispensing advanced funds for construction of facilities required for the Applicant's service;
- 8) Inspecting construction of facilities; and
- 9) Testing facilities and closing the project.

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

i. Terms by which the Applicant shall deed all constructed facilities to the Corporation and by which the Corporation shall assume operation and maintenance responsibility, including any enforcement of warranties in

connection with construction of the Applicant's project.

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

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

7. **Property and Right of Way Acquisition.** The Corporation shall require private right of way easements on private property for the construction of water facilities according to the following conditions:

- a. If the Corporation determines that right of way easements or facility sites outside the Applicant's property are required, the Corporation shall require the Applicant to make good faith efforts to secure easements or title to facility sites in behalf of the Corporation. All right of way easements and

property titles shall be researched, validated, and filed by the Corporation at the expense of the Applicant.

- b. All facilities installed in public right of way in behalf of the Applicant, due to inability to secure private right of way easements, shall be subject to costs equal to the original cost of facility installation for those facilities in public right of ways, plus the estimated cost of future relocation to private right of ways, provided however, that funds will not be received at a later date from other sources for such relocation.
 - c. The Corporation shall require an exclusive dedicated right of way on the Applicant's property (as required by the size of the planned facilities and as determined by the Corporation engineer) and title to property required for other on-site facilities. There may not be any overlap with roadway dedications, other public utility easements, or other property dedications. The Applicant must covenant that they will not subsequently grant any future property interests that conflict with the Corporation's easements or titles.
 - d. If the Applicant is subsequently found to have granted any real property interest that conflicts with the Corporation's exclusive easement and/or the utility facilities located therein, the Applicant, his heirs, successors and assigns shall bear all costs of relocating the Corporation's facilities in a relocated easement, if necessary. This obligation is deemed to be the agreed remedy for the breach of the covenant that ran with the exclusive easement granted to the Corporation as a precondition to the initial granting of utility service to the property in question.
 - e. The Applicant shall grant the Corporation a separate ingress-egress easement into and across the property as a whole (the subdivision) to allow Corporation personnel to service any and all water utility plant that may be constructed, operated and maintained on the property. This latter easement shall terminate only when the last item of Corporation utility plant is permanently removed from public service.
 - f. Easements and facilities sites shall be prepared for the construction of the Corporation's pipelines and facility installations in accordance with the Corporation's requirements and at the expense of the Applicant. All costs of any kind incurred by the Corporation to bring utility service to the Applicant in sufficient quantities to comply with TCEQ rules while meeting anticipated local demand consistent with the type of development proposed by the Applicant shall be borne by the Applicant. It is the Applicant that is in the business of taking and being rewarded for the risk of real estate development, not the Corporation and its resident-customers. The Corporation shall only pay for over sizing plant meant to serve customers or future customers outside of the Applicant's property.
8. *Bids For Construction.* The Corporation's Consulting Engineer shall advertise for bids for the construction of the Applicant's proposed facilities in accordance with generally accepted practices. Plans and specifications shall be made available, with or without charge, to prospective bidders. Although the Corporation reserves the right to reject any bid or contractor, the Corporation shall generally award the contract to the lowest and best bidder in accordance with the following criteria:

- a. The Applicant shall sign the Service Contract noting willingness to proceed with the project and shall pay all costs in advance of construction associated with the project;
 - b. The Contractor shall provide an adequate bid bond under terms acceptable to the Corporation;
 - c. The Contractor shall secure adequate performance and payment bonding for the project under terms acceptable to the Corporation;
 - d. The Contractor shall supply favorable references acceptable to the Corporation;
 - e. The Contractor shall qualify with the Corporation as competent to complete the work, and
 - f. The Contractor shall provide adequate certificates of insurance as required by the Corporation.
9. *Pre-Payment For Construction And Service.* After the Applicant has executed the Service Agreement, the Applicant shall pay to the Corporation all costs necessary for completion of the project prior to construction and in accordance with the terms of the Service Contract.
10. *Construction.*
- a. All roadwork pursuant to county and/or municipal standards (if applicable) shall be completed prior to facility construction to avoid future problems resulting from road right-of-way completion and excavation. Subject to approval of the requisite authority, road sleeves may be installed prior to road construction to avoid road damage during construction of Applicant's facilities.
 - b. The Corporation shall, at the expense of the Applicant, inspect the facilities to ensure that Corporation standards are achieved.
 - c. Construction plans and specifications shall be strictly adhered to, but the Corporation reserves the right to change-order any specifications, due to unforeseen circumstances during the design phase, to better facilitate operation of the Applicant's facility. All change-order amounts shall be charged to the Applicant.
11. *Service Within Subdivisions* -- The Corporation's objective to provide service to any customer located within a subdivision governed by this section is strictly limited to the non-standard service specified by the Applicant. The purchaser of any lots who do not receive service because this service has not been specified or paid for by the Applicant shall have no recourse to the Corporation but may have recourse to the Applicant/Developer.