

Tariff

for

Possum Kingdom Water Supply Corporation

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Tariff of the Possum Kingdom Water Supply Corporation

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Section A

RESOLUTIONS

Section B

STATEMENT OF OPERATIONS

SECTION B STATEMENTS OF OPERATION

1. **Organization.** The Possum Kingdom Water Supply Corporation is a member-owned, non-profit corporation incorporated pursuant to the Texas Water Code Chapter 67, Nonprofit Water Supply or Sewer Service Corporations and as supplemented by the Texas Non-Profit Corporation Act, Tex. Rev. Civ. Stat. Ann., Article 1396-1.01, et seq. (West 1980, Vernon Supp. 1996 as amended) for the purpose of furnishing potable water and or sewer utility service. *This service is to be expanded to include the area supported by the Rock Creek Water Supply Corporation through a merger agreement during the first quarter of 2017. The main portion of this area is a development known as The Hills above PK Lake. (updated 7-1-17)* Corporation operating policies, rates, and regulations are adopted by the Board of Directors elected by the Members of the Corporation.
2. **Non-Discrimination Policy.** Membership in the Corporation and service is provided to all Applicants who comply with the provisions of this Tariff regardless of race, creed, color, national origin, sex, disability, or marital status.
3. **Policy and Rule Application.** These policies, rules, and regulations apply to the water services provided by the Possum Kingdom Water Supply Corporation, also referred to as Corporation, or PKWSC. Failure on the part of the Member, Consumer, or Applicant to observe these policies, rules and regulations gives the Corporation the authority to deny or discontinue service according to the terms of this Tariff as amended from time to time by the Board of Directors of the Corporation.
4. **Corporation Bylaws.** The Corporation Members have adopted bylaws which establish the make-up of the Board of Directors and other important regulations of the Corporation. The bylaws are on file at the Corporation's office.
5. **Fire Protection Responsibility.** The Corporation does not provide nor imply that fire protection is available on any of the distribution system. All hydrants or flush valves are for the operation and maintenance of the system and may be used for refill only by authorized fire departments. The Corporation reserves the right to remove any hydrant, due to improper use or detriment to the system as determined by the Corporation, at any time without notice, refund, or compensation to the contributors unless such hydrants are installed pursuant to the terms of a Non-Standard Service Contract as provided for in Section F, in which event the terms and conditions of the Contract shall apply.
6. **Damage Liability.** The PKWSC is not liable for damages caused by service interruptions, events beyond its control, and for normal system failures. The limit of liability of the PKWSC is the extent of the cost of service provided. By acceptance of Membership, Member consents to waiver of such liability.
7. **Information Disclosure.** The records of the Corporation shall be kept in the Corporation office at Possum Kingdom Lake, Graford, Texas. All information collected, assembled, or maintained by or for the Corporation shall be disclosed to the public in accordance with the Texas Public Information Act and other applicable law.

In no event and under no circumstances shall the Corporation request the Social Security number of any member or customer. Chapter 182, Subchapter B of the Texas Utilities Code makes confidential a water utility customer's address, telephone number, account records, and information relating to the volume or units of utility usage, or the amounts billed to or collected from the individual for utility usage. However, an individual customer may request in writing that this information be released upon request. The Corporation shall give its applicants and customers notice of their right to request disclosure of this information under this policy. The confidentiality provision in Chapter 182, Subchapter B of the Texas Utility Code does not prohibit the utility from disclosing this information to an official or employee of the state or a political subdivision of the state acting in an official capacity or an employee of the Corporation acting in connection with the employee's duties. Further, such confidentiality does not prohibit the Corporation from disclosing the name and address of each member entitled to vote on a list to be made available to the Corporations's voting member, or their agents or attorneys, in connection with a meeting of the Corporation's members.

8. ***Grievance Procedures.*** Any Member of the Corporation or individual demonstrating an interest under the policies of this Tariff in becoming a Member of the Corporation shall have an opportunity to voice concerns or grievances to the Corporation by the following means and procedures:
 - a. By presentation of concerns to the Corporation's manager or authorized staff member. If not resolved to the satisfaction of the aggrieved party then,
 - b. By presenting a letter to the Board of Directors stating the individual's grievance or concern and the desired result.
 - c. Any charges or fees contested as a part of the complaint in review by the Corporation under this policy shall be suspended until a satisfactory review and final decision has been made by the Board of Directors.

*Note- The Board of Directors shall respond to the complaint by communicating the Board's decision in writing.

9. ***Customer Service Inspections.*** The Corporation requires that a customer service inspection certification be completed prior to providing continuous water service to new construction and for all new members as part of the activation of standard and some non-standard service. Customer service inspections are also required on any existing service when the corporation has reason to believe that cross-connections or other potential contaminant hazards exist, or after any material improvement, correction or addition to the members' water distribution facilities. This inspection is limited to the identification and prevention of cross connections, potential contaminant hazards and illegal lead materials. (30 TAC 290.46(i-j)) (See Tariff Section G6)
10. ***Submetering Responsibility.*** Submetering and Non-Submetering by Master Metered Accounts may be allowed in the Corporation's water distribution or sewer collection system provided the Master Metered Account customer complies with the Public Utility Commission, Chapter 24, Subchapter I pertaining to Submetering. The Corporation has no jurisdiction or responsibility to the tenants. Tenants receiving water under a Master Metered Account are not considered customers of the Corporation. Any interruption or impairment of water service to the tenants is the responsibility of the Master Metered Account Customer. Any complaints regarding submetering should be directed to the Public Utility Commission (PUC).

11. ***Customer Notice Provisions.*** The Corporation shall give written notice of monthly rate changes by mail or hand delivery to all customers at least 30 days prior to the effective date of the new rate. Notices may direct a Member to the Corporation's website which will contain the details of any changes. The notice shall contain the old rates, new rates, effective date of the new rate, date of Board authorization, and the name and phone number of the Corporation's contact person designated to address inquiries about the rate change.
12. ***Voluntary Contributions Policy.*** The Corporations's board has approved and set up guidelines for accepting Voluntary Contributions on Behalf of Emergency Fire Service Providers in our service area. The policy adopted sets up the guidelines for collection, accounting, and distribution of funds to the respective local Volunteer Fire Departments. (Texas Water Code Sections 13.143 & Section 67.017.) (See Voluntary Contribution Policy this Tariff Section G31)
13. ***Prohibition Against the Resale of Water.*** The meter and/or sewer connection is for the sole use of the Member or Customer. Extension of pipe(s) to resell water to any other person, dwellings, business, or property, etc., is prohibited.

Section C

DEFINITIONS

SECTION C. **DEFINITIONS**

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

Apartment House -- A building or buildings containing five or more dwelling units that are occupied primarily for non-transient use, including a residential condominium whether rented or owner occupied, and if a dwelling unit is rented, having rental paid at intervals of one month or longer.

Applicant -- A person, partnership, cooperative corporation, corporation, agency, public or private organization of any type applying for service with the Possum Kingdom Water Supply Corporation. A person must have reached the age majority (18) in Texas to apply for service. (Section 129.001 Civil Practice & Remedies Code)

Base Rate -- The monthly charge assessed each Member/Customer for the opportunity of receiving service. The Base Rate is a fixed rate based upon the meter size as set forth in the equivalency chart in Section G.19.a.2.

Board of Directors -- The governing body elected by the Members of the Possum Kingdom Water Supply Corporation that is vested with the Management of the affairs of the Corporation. (Section 22.001(1), Texas Business Organizations Code.)

Bylaws -- The rules pertaining to the governing of the Possum Kingdom Water Supply Corporation adopted by the Corporation Members. (Section 22.001(2), Texas Business Organization Code)

Certificate of Convenience and Necessity (CCN) -- The authorization granted under Chapter 13 Subchapter G of the Texas Water Code for Possum Kingdom Water Supply Corporation to provide water and/or sewer utility service within a defined territory. Possum Kingdom Water Supply Corporation has been issued Certificate Number 12890. Territory defined in the CCN shall be the Certificated Service Area. (See Section D. Certificated Service Area Map)

Corporation -- The Possum Kingdom Water Supply Corporation. (Section B. 1 of this Tariff)

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

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

Dwelling Unit -- One or more rooms in an apartment house or condominium suitable for occupancy as a residence, and containing kitchen and bathroom facilities; a unit in a multiple use facility; or a manufactured home in a manufactured home rental community.

Easement -- A private perpetual dedicated right-of-way for the installation of water 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 Sample Application Packet, Form RUS-TX 442-8 (Rev. 6-06) or Form RUS-TX 442-9 (Rev. 6-06)) The easement will be filed in the real property records of the appropriate county or counties.

Equity Buy-In Fee -- Each Applicant for new service shall be required to achieve parity with the contributions to the construction or acquisition of the Corporation's assets related to capacity that have been made previously by existing Members. This fee shall be calculated annually after receipt of the system audit and assessed prior to providing (or reserving service for nonstandard service applicants) 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. (Tariff Section G.11.)

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 of lots, location of dedicated water/sewer easements, and location(s) of lakes, streams, or rivers through the property. The Possum Kingdom Water Supply Corporation shall determine if a plat submitted for the purpose of this Tariff shall qualify as a final plat. For purposes of evaluating Sub-Division service requests under Section F, the Corporation may accept preliminary plats or plats awaiting final approval pending execution of agreement for service by the corporation.

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

Installation Fee -- A fee charged for all costs necessary for installation of the type of service required. (See Section G. 14 for breakdown of costs included in the fee.)

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

Master Meter -- A meter used to measure, for billing purposes, all water usage of an apartment house, condominium, multiple use facility, or manufactured home rental community, including common areas, common facilities, and dwelling units.

Manufactured Home Rental Community-- A property on which spaces are rented for the occupancy of manufactured homes for non-transient residential use and for which rental is paid at intervals of one month or longer.

Member -- Any person, partnership, cooperative corporation, corporation, agency, or public or private organization who holds a membership in the Corporation and who is a record owner of a fee simple title to the property in an area served by the water supply or sewer service corporation or a person who is granted a membership and who either currently receives or will be eligible to receive water or sewer utility service from the Corporation. An applicant must be qualified for service and must have been certified as a member in accordance with the Corporation's Tariff before service will be activated.

(Texas Water Code Section 13.002(11), Texas Water Code Section 67.016(d))

Membership -- A non-interest-bearing stock or right of participation purchased from the Corporation evidencing a Member's interest in the Corporation. (See Tariff Section E. 20 and Texas Business Organizations Code Sections 22.151©).

Membership Fee -- A fee qualified as such under the terms of the tariff and the bylaws of the Corporation assigned to the real estate designated to receive service. The membership fee shall be refundable upon termination of service and surrendering the Membership. The membership fee cannot be more than 12 times the minimum monthly base rate.

Multiple Use Facility -- A commercial or industrial park, office complex, or marina with five or more units that are occupied primarily for non-transient use and are rented at intervals of one month or longer.

Public Utilities Commission of Texas (PUC) -- State regulatory agency having jurisdiction of water and sewer service utilities and appellate jurisdiction over the rates and fees charged by Nonprofit Water and Sewer Service Corporation.

Proof of Ownership -- For the purpose of this tariff, applicants for service and membership shall provide proof of ownership of the real estate. (Texas Property Code, Title 3, Chapter 12, Section 12.001 and 12.0011)

Renter -- A consumer who rents or leases property from a Member or who may otherwise be termed a tenant. (See Tariff Section E. 19.)

Re-Service -- Providing service to an Applicant at a location for which service previously existed in applicant's name, and where there is an existing setting for a meter. Costs of such re-servicing shall be based on justifiable expenses in connection with such re-servicing. (See Tariff Section E. 1.b.)

Reserved Service Charge-- A monthly charge for each active account at a specific location for which a meter has not been installed but for which the Corporation and the Applicant have entered into agreement and/or contract for reserving service. This monthly charge shall be based on the Corporation's fixed costs to service the Applicant's dedicated facilities on a per Service Unit basis. This charge reserves service to the Applicant's property designated to receive service. This fee is determined on a case-by-case basis but shall never exceed the Base Rate for Metered Service on a per Service Unit basis. (See Tariff Section G. 19.b.)

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 Application and Agreement -- A written agreement between the Member/Applicant and the Corporation defining the specific type of service requirements requested on the current service application and agreement form, and the responsibilities of each party required before service is furnished. (See Sample Application Packet RUS-TX Bulletin 1780-9 (Rev. 5/99) or Non-Standard Service Contract)

Service Investigation Fee -- A non-refundable fee for costs associated with determining if service is available and determining cost of service. (See Tariff Section F.3.c. and G.28.)

Service Trip Fee -- A fee charged for any service call or trip to the Member's tap as a result of a request by the Member or tenant for response to damage of the Corporation's or another Member's facilities; for customer service inspections due to suspicion of meter tempering, bypass or diversion of service; or for the purpose of disconnecting or collecting payment for services. (See Tariff section G27)

Service Unit -- The base unit of service used in facilities design and rate making. For the purpose of this Tariff, a service unit is a 5/8" X 3/4" water meter. (See Tariff G19.a.1)

Subdivide -- To divide the surface area of land into lots or tracts intended primarily for residential use. (Local Government Code Chapter 232, Section 232.021 (11) Definitions)

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 Chapter 232, Section 232.021(i)(2) & 232.021 (12) Definitions and Section F., Part II)

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

Sub-metered Utility Service -- Water utility service that is master metered for the owner by the retail public utility and individually metered by the owner at each dwelling unit.

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

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 Section E. 26, E. 27, and E. 28 are met. Applicant must have paid an Indication of Interest Fee or Service Investigation Fee.

Texas Commission on Environmental Quality (TCEQ) -- State regulatory agency having jurisdiction over drinking water, water supply and water quality issues for Nonprofit Water and Sewer Service Corporations.

Transfer Fee -- A fee assessed by the Corporation for costs associated with transferring membership (See Tariff Section E.20.C. Section G.30 and Texas Water Code Section 67.016)

Transferee -- An Applicant receiving a PKWSC Membership by legal means from a person or entity desiring to forfeit and transfer current rights of Membership to another person or entity. (See Tariff Section E. 20.c., Section G.30 and Texas Water Code Section 67.016)

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

Usage – Amount billed for water service based on actual or estimated usage.

1. **Actual Usage** – Amount billed or to be collected based on actual meter reading.
2. **Estimated Usage** – Amount billed or to be collected based on either the member’s historical average for the prior month or for the same month of the prior year where date is unavailable (See Section E.6.b.; See also PUC Rules 16 TAC 24.165(i) regarding estimated bills.)

Water Conservation Penalty – A penalty that may be assessed under Section H of this Tariff to enforce customer / member water conservation practices during drought contingency or emergency water demand circumstances. (Texas Water Code Section 67.011 (b)). (See Tariff Section H)

SECTION D
GEOGRAPHIC AREA SERVED

CERTIFICATE OF CONVENIENCE AND NECESSITY

**To Provide Water Service Under Texas Code
And Public Utility Commission Substantive Rules**

Certificate No. 12890

I. Certificate Holder:

Name: Possum Kingdom Water Supply Corporation
Address: 1170 Willow Rd.
Graford, TX 76449

II. General Description and Location of Service Aea:

See CCN Maps

III. Certificate Maps:

The certificate holder is authorized to provide water service in the areas identified on the Commission's official service area map maintained in the offices of the Public Utility Commission, 701 N Congress Avenue, PO Box 13326, Austin, TX 78711-3326 with all attendant privileges and obligations.

This certificate is issued under Application No. 30999 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 Date: _____

Approved / Amended on: May 13, 2021

Attest: _____

See Attached

For the Commission

Section E

SERVICE RULES AND REGULATIONS

SECTION E SERVICE RULES AND REGULATIONS

1. **Activation of Standard Service.**
 - a. **New Tap** -- The Corporation shall charge a non-refundable service installation fee as required under Section G of this tariff. The service installation fee shall be quoted in writing to the Applicant. Any debt owed to the Corporation and all fees shall be paid or a deferred payment contract signed in advance of installation. (16 TAC 24.163 (a)(1)(A)).
 - b. **Re-Service** -- On property where service previously existed, the Corporation shall charge the Membership Fee, where the Membership Fee has been liquidated or refunded, any reconnection costs and debt owed to the Corporation if the applicant is the person that previously incurred those charges, and other applicable costs necessary to restore service.
 - c. **Performance of Work** -- After approval is granted by proper authorities, all tap and equipment installations specified by the Corporation shall be completed by the Corporation staff or designated representative. The tap for a standard service request shall be completed within five (5) working days after requirements for service have been met. Any additional time required must be communicated to the customer and agreed to with appropriate documentation in the member file. Time may be extended for installation of equipment for Non-Standard Service Request. (see Section F. & TAC 24.161(a)(4)
 - d. **Inspection of Customer Service Facilities** -- The property of the Applicant/ Member shall be inspected to ensure compliance with state required Minimum Acceptable Operating Practices For Public Drinking Water Systems as promulgated by the Texas Commission on Environmental Quality or successor agency. The Customer must, at his or her expense, properly install, inspect, test, maintain and provide all required documentation of any approved backflow prevention device required by the Corporation. (30 TAC 290.46(j)
2. **Activation of Nonstandard Service.** Activation of Nonstandard Service shall be conducted as prescribed by terms of Section F of this Tariff.
3. **Application Procedures and Requirements.** For the purposes of this Tariff, service requested by an Applicant shall be for real estate designated to receive the service provided by the Corporation and 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 which requires a larger meter service, service to a Master Metered Account (see E. 18) of this section), or an addition to the supply, storage and/or distribution/collection system. The service requirements as prescribed by Section F of this Tariff shall be required of the Non-Standard Service Applicant prior to providing service.
 - 1) The applicant shall be responsible for the cost of any extension(s), including looping, from existing Corporation mains determined by the Corporation's engineer to be necessary to bring adequate water utility service to meet the anticipated service demands of a new customer or of a new meter for an existing customer.

- 2) The Corporation shall be responsible for any over-sizing of the main necessary to meet the service needs of other members or system reliability.
- c. **Requirements for Standard and Non-Standard Service.**
- 1) The Corporation's Service Application and Agreement Form shall be completed in full and signed by the Applicant.
 - 2) A Right-of-Way Easement Form, Sanitary Control Easement, or other such easement form, required by the Corporation, must be completed by the Applicant for the purpose of allowing future facility additions. (See Sample Application - RUS-TX Bulletin 1780-9 (Rev. 5/99), 30 TAC 290.47 Appendix B.) **NOTE:** This requirement may be delayed for Non-Standard Service requests.
 - 3) The Applicant shall provide proof of ownership or other long-term interest to property for which service has been requested in a manner acceptable to the Corporation. Proof of ownership or other long-term interest shall consist of warranty deed, deed of trust, lease agreement, or other recordable documentation of fee simple title to the real estate designated to receive service. (Texas Water Code 67.016 (e), and 13.002 (11)).
 - 4) On the request by the property owner or owner's authorized agent, the Corporation shall install individual meters owned by the Corporation in an apartment house, manufactured home rental community, multiple use facility, or condominium on which construction begins after January 1, 2003, unless the Corporation determines that installation of individual meters is not feasible. If the Corporation 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 Corporation shall be entitled to the payment of costs, including the costs of individual meter installations, as provided in Section F. Part T.5. 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/sewer 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 memberships required for each individual meter. The Corporation shall consider master metering to apartments, condos, trailer /RV parks, or business centers and other similar type enterprises at an Applicant's request provided the total number of units to be served are all:
 - (a) owned by the same person, partnership, cooperative, corporation, agency, public or private organization of any type but not including a family unit,
 - (b) directly inaccessible to public right-of-way, and
 - (c) considered a commercial enterprise i.e. for business, rental, or lease purposes
 - 5) Notice of application approval and costs of service determined by the Corporation 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))
 - 6) If the water main has been located in the public right-of-way and is adjacent to Applicant's property due to the current or previous landowner's refusal to grant easement to the Corporation for the purpose of installing the water main and appurtenances, and the Corporation has documentation of such refusal, the Applicant, prior to receiving the requested service, shall grant easement required under this Tariff 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 Corporation's system-wide service.

7) Meter requirements larger than 1” will be considered Non-Standard Service and the engineer for the corporation will determine the size of meter to be installed.

4. ***Applicant’s or Transferee’s Recourse.*** In the event the Corporation refuses to serve an Applicant under the provisions of these rules, the Corporation must notify the applicant, in writing, on the basis of its refusal. The applicant may file for an appeal, in writing, with the Board of Directors of the Corporation.
5. ***Back-billing.*** If a Member is undercharged the corporation may back-bill the Member. Back-billing may not exceed 12 months unless such undercharge is a result of meter tampering, bypass, or diversion by the customer as defined in this tariff (See 16 TAC Section 24.165(h)). If the underbilling is \$25 or more, the utility shall offer to such member/customer a deferred payment plan option for the same length of time as that of the underbilling.
6. ***Bill Adjustment.***
 - a. ***Due to Meter Error*** - The Corporation shall test any Member’s meter upon written request of the member. In the event the meter tests within the accuracy standards of The American Water Works Association, a test fee as prescribed in Section G. 21. of this Tariff shall be imposed. In the event the test results indicate that the meter is faulty or inaccurate, the test fee shall be waived, the meter shall be calibrated or replaced, and a billing adjustment may be made as far back as six (6) months. The billing adjustment shall be made to the degree of the meter’s inaccuracy as determined by the test. The Member shall complete a Meter Test Request Form prior to the test. (See Section J. Misc. Transaction Forms.)
 - b. ***Due to Estimated Billing*** - If the Corporation has estimated usage because the Corporation is unable to access the meter due to circumstances beyond the Corporation’s control, such as a natural disaster; or because access is hindered or denied by a Member, the Corporation shall adjust the bill once access has been regained and actual usage is determined. (See Section E. 21. a.)
 - c. ***Due to Water Leak*** - Should a member experience a water leak that is due to uncontrollable circumstances and the bill coincides with the same billing time period, PKWSC may offer a one-time adjustment if the usage exceeds the average of the previous six (6) months usage and the leak has been repaired. A copy of the repair invoice and/or photographic evidence showing the repairs have been made is required to start the adjustment process. The total gallonage on the bill will be credited and re-billed by adjusting the amount billed at each rate level and eliminating the highest rate which can be billed. The first rate level will be increased to two (2) times the gallonage stated in the rate, the second rate level by three (3), the third by three (3), and all remaining billed at the fourth rate level.
7. ***Billing Cycle Changes.*** The Corporation reserves the right to change its billing cycles if the workload requires such practice. After a billing period has been changed, the billings shall be sent on the new change date unless otherwise determined by the Corporation.
8. ***Changes in Service Classification.*** If at any time the Corporation determines that the customer service needs changed from those originally applied for to a different service classification and the Corporation determines that additional or different facilities are necessary to provide adequate service, the Corporation shall require the Applicant/Member to re-apply for service under the terms and conditions of this Tariff. Applicant/Members failing to comply with this provision shall be subject to the Disconnection with Notice Provisions of this Tariff (See Section E. 12. a.)

9. ***Charge Distribution and Payment Application.***

- a. The Base Rate is for the billing period from the 15th day of the month to the 15th day of the following month. 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 20th of the month preceding the month for which this charge is due. All services shall be subject to this charge whether or not the service is in use by the Member.
- b. Gallonage Charge shall be billed at the rate specified in Section G.17.C, and billing shall be calculated in ten (10) and one hundred (100) gallon increments based on meter size. 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 Corporation's employees or designated representative.
- c. Posting of Payments: All payments shall be posted against previous balances and late fees prior to posting against current billings.
- d. Forms of Payment: The Corporation will accept the following forms of payment: cash, personal check, cashier's check, money order, credit card, automatic debit on customer's bank account, or draft on bank. The Corporation will not accept two-party checks, pay checks, or any other instrument of payment that is not made out to the Corporation. The Corporation reserves the right to require exact change and may refuse to accept payments made using more than \$1.00 in coins. The Corporation 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.

10. ***Deferred Payment Agreement.*** The Corporation may offer a deferred payment plan to a Member or rental tenant who cannot pay an outstanding balance in full and is willing to pay the balance in reasonable installments as determined by the Corporation, including any late penalty fees or interest on the monthly balance to be determined as per agreement. (See Appendix B). Failure to make required and timely payments as provided in any deferred payment agreement will void that agreement and service will be discontinued. The Corporation may consider another deferred payment agreement provided payments will be made by automatic bank draft or credit/debit card. Nonpayment 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 Corporation shall notify the owner/member of the deferred payment agreement.

11. ***Denial of Service.*** The Corporation may deny service for any of the following reasons:

- a. Failure of the Applicant or Transferee to complete all application requirements, including granting an easement, completing all forms, and paying all required fees and charges;
- b. Failure of the Applicant or Transferee to comply with rules, regulations, policies, and bylaws of the Corporation;
- c. Existence of a hazardous condition at the Applicant's property which would jeopardize the welfare of the Members/Users of the Corporation upon connection;
- d. Failure of Applicant or Transferee to provide representatives or employees of the Corporation reasonable access to property, for which service has been requested;
- e. Failure of Applicant or Transferee to comply with all governmental rules and regulations of the Corporation's tariff on file with the state regulatory agency governing the service applied for by the Applicant;

- f. Failure of Applicant or Transferee to provide proof of ownership, to the satisfaction of the Corporation, of property for which the tap has been requested;
- g. Applicant's service facilities are known to be inadequate or of such character that satisfactory service cannot be provided;
- h. Failure of the Applicant or Transferee 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 Transferee received service. (Also see E 20.)

12. **Disconnection of Service Rules.** 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 Corporation 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:
 - 1) Returned Checks – The Corporation shall mail, via the U.S. Postal Service, a notice requiring redemption of the returned instrument within ten (10) days of the date of the notice to be made in the Corporation office. Redemption of the returned instrument shall be made by cash, money order, or certified check. Failure to meet these terms shall initiate disconnection of service. (see Appendix B) Any such instruments returned as insufficient or nonnegotiable for any reason for any two billing periods within a 12-month period shall be considered evidence of bad credit risk by the Corporation. The Member/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 water service, failure to timely provide a deposit or other security under, or failure to comply with the terms of a deferred payment agreement (See Appendix B);
 - 3) Violation of the Corporation's rules pertaining to the use of service in a manner which interferes with the service of others or the operation of nonstandard equipment if a reasonable attempt has been made to notify the Member and the Member is provided with a reasonable opportunity to remedy the situation;
 - 4) Failure of the Member to comply with the terms of the Corporation's Service Agreement, Tariff (including, where appropriate, Section H), bylaws, or Special Contract provided that the Corporation has given notice of said failure to comply, and Member has failed to comply within a specified amount of time after notification.
 - 5) Failure to provide access or hindering access to the meter under the terms of this Tariff or to property at which water service is received when there is reason to believe that a hazardous condition or policy violation exists for which access is necessary to verify. Conditions that may hinder access include, but are not limited to, fences with locked gates, vehicles or objects placed on top of meters or meter boxes, and unrestrained animals.
 - 6) Misrepresentation by any Applicant or Transferee of any fact on any form, document, or other agreement required to be executed by the Corporation.
 - 7) Failure of Member to re-apply for service upon notification by the Corporation that Member no longer meets the terms of the service classification originally applied for under the original service application.

- 8) Cancellation of membership by Member on an account that the Member holds for water service to the Member's renter/lessee, even if the renter/lessee has kept the account balance current under an Alternate Billing Agreement. **(Note: The cancellation of membership must be in writing and signed by the Member. Corporation assumes no liability to renter/lessee; Member is solely responsible for compliance with, and liability under any federal, state, or local law creating or protecting rights of renters/lessees.**
 - 9) Violation of any applicable regulation or pertaining to on-site sewage disposal systems if the Corporation has been requested in writing to disconnect service by the TCEQ or the TCEQ's designated representative under Chapter 366 of the Texas Health and Safety Code.
 - 10) Failure to pay charges arising from service trip fee as defined in Section G. 27., meter re-read fee, or meter read fee when customer on self-read plan failed to submit their meter reading.
 - 11) Failure by a Member to pay for all repair or replacement costs resulting from the Member damaging system facilities including, but not limited to water or sewer 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 Corporation will provide the Member 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 Member'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.
 - 12) 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 Corporation of a violation.
- 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 as defined in Texas Health and Safety Code Sections 341.011 or 343.011. If there is reason to believe a dangerous or hazardous condition exists, the Corporation may conduct a customer service inspection (CSI) to verify the hazardous condition and may notify the local county health office. The Corporation will disconnect without notice if the Member 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(i) and 290.46(j)). 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 Corporation's water system by the installation of a backflow prevention device.
 - 2) A line leak on the member's side of the meter is considered a potentially hazardous condition under paragraph b. 1, as stated above. If the Corporation conducts a CSI and discovers that the line leak has created a hazardous condition, the Corporation will provide the member 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/entity 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 Corporation's meter tap or equipment, by-passing the meter or equipment, or other diversion of water or sewer service. **NOTE: Where reasonable, given the nature of the reason for disconnection, a written statement providing notice of disconnection and the reason therefore shall be posted at the place of common entry or upon the front door of each affected residential unit as soon as possible after service has been disconnected.**
- c. **Disconnection Prohibited** – Utility service may not be disconnected for any of the following reasons:
- 1) Failure of the Member to pay for merchandise or charges for nonutility service provided by the Corporation, unless an agreement exists between the Applicant and the Corporation whereby the Member guarantees payment of nonutility service as a condition of service;
 - 2) Failure of the Member to pay for a different type or class of utility service unless a fee for such service is included in the same bill;
 - 3) Failure of the Member to pay charges arising from an underbilling occurring due to any misapplication of rates more than six (6) months prior to the current billing;
 - 4) Failure of the Member to pay the account of another Member as guarantor thereof, unless the Corporation has in writing the guarantee as a condition precedent to service;
 - 5) Failure of the Member to pay charges arising from an underbilling due to any faulty metering, unless the meter has been tampered with or unless such underbilling charges are due under the Inoperative Meters Section E. 15. of this Tariff.
 - 6) Failure of the Member to pay estimated bill other than a bill rendered pursuant to an approved meter reading plan, unless the Corporation is unable to read the meter due to circumstances beyond its control.
- d. **Disconnection on Holidays and Weekends** – Unless a dangerous condition exists or the Member requests disconnection, service shall not be disconnected on a day, or on a day preceding a day, when personnel of the Corporation are not available to the public for the purpose of making collections and reconnecting service.
- e. **Disconnection Due to Utility Abandonment** – The Corporation may not abandon a Member or a Certificated Service Area without written notice to its Members and all similar neighboring utilities and approval from the PUC.
- f. **Disconnection for Ill Customers** – The Corporation may not discontinue service to a delinquent residential Member or tenant under an alternative billing agreement permanently residing in an individually metered dwelling unit when that Member 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 Member or tenant must provide a written statement from a physician to the Corporation prior to the stated date of disconnection. Service may be disconnected in accordance with Subsection (a) of this 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 Member or tenant enters into a Deferred Payment Agreement (see Appendix B). The Corporation 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:
 - 1) The Corporation shall send a notice to the Member as required. This notice shall also inform the Member that notice of possible disconnection will be provided to the tenants of the service complex in five (5) days if payment is not rendered before that time.
 - 2) At least five (5) days after providing notice to the Member and at least five (5) days prior to disconnection, the Corporation shall post notices, stating “Termination Notice” in public areas of the service complex notifying the residents of the scheduled date for disconnection of service.
 - 3) The tenants may pay the Corporation for any delinquent bill on behalf of the owner to avert disconnection or to reconnect service to the complex.
- h. **Disconnection of Temporary Service** – When an applicant with temporary service fails to comply with the conditions stated in the Service Application and Agreement Form or other rules of this Tariff, service may be terminated with notice.

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

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

- a. The Corporation shall mail all bills on or about the 20th 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 to pay), after which time a penalty shall be applied as described in Section G15. The time for payment by a political subdivision may be different than your regular due date. (See Texas Government Code 2251.021) A bill is delinquent if not paid on or before the past due date. Payments made by mail will be considered late if postmarked after the past due date. A Five (5) day grace period may then be allowed for delayed payments prior to mailing of final notices. Final notices shall be mailed allowing ten (10) additional days for payment prior to disconnection. The ten (10) additional days shall begin on the day the final notice is deposited with the U.S. Postal Service with sufficient postage. If the past due date for the regular or final billing is on a weekend or holiday, the past due date for payment purposes shall be the next day the Corporation office is open for business after said weekend or holiday. For all disputed payment deadlines, the date postmarked on each bill will determine the beginning of each billing cycle or final notice mailings.
- b. The Board of Directors or General Manager may elect to not charge a late fee or disconnect fee in accordance with this Tariff during or after the occurrence of a natural disaster or other incident that impacts the property of members 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 Corporation shall receive extension of the past due date, without penalty. The extension shall not exceed 10 days beyond the usual 15-day payment period for a total of no more than 25 days from the date the bill is issued. The request may specify extension of the late payment periods for current and

subsequent billings. (Texas Utilities Code Sections 182.001 - 182.005) If this request originates from a tenant at a rental property the owner / member will be notified in writing of any extension request.

- d. All insufficient fund checks, accounts closed or money orders that have had a “stop payment order” issued for payment of a water bill will be deemed delinquent as if no payment was received and the meter is subject to disconnection with notice on the regular disconnection day.

15. ***Inoperative Meters.*** Water meters found inoperative will be repaired or replaced within a reasonable time. If a meter is found not to register for any period, unless by-passed or tampered with, the Corporation shall make a charge for units used, but not metered, for a period not to exceed six (6) months, based on amounts used under similar conditions during the period preceding or subsequent thereto, or during corresponding periods in previous years.

16. ***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 member or occupant of the premises to be served;
- b. Failure to pay a bill to correct previous underbilling due to misapplication of rates more than six (6) months prior to the date of application;
- c. Violation of the Corporation’s rules pertaining to operation of nonstandard equipment or unauthorized attachments which interferes with the service of others, unless the customer has first been notified and been afforded reasonable opportunity to comply with said requirements;
- d. Failure to pay a bill of another member or customer as guarantor thereof unless the guarantee was made in writing to the Corporation as a condition precedent to service; and
- e. Failure to pay the bill of another member or customer at the same address except where the change of customer identity is made to avoid or evade payment of a water bill.

17. ***Line Extension Reimbursement.*** An approved Applicant may have to pay on a prorated basis a line reimbursement fee to the Corporation for the purpose of reimbursing a member or other party that made the capital outlay to extend service to that area. (See Appendix B)

18. ***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 Corporation 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 PUC rules, this Tariff and applicable law. The Corporation may allow master metering and/or nonstandard sewer service to these facilities at an Applicant’s request. (16 TAC (24.281(e)(1)).

19. ***Members and Renters.*** Any Member having complied with the requirements of this Tariff, renting or leasing property designated to receive service according to the terms of this tariff to other parties, is responsible for all charges due the Corporation. The membership for rental or leased properties shall be in the name of the Member as required by this Tariff. The Corporation may bill the renter or lessee for utility service (at Member Request) as a third party, but the Member is fully responsible for any and all unpaid bills left by the renter/lessee. The Member shall be required to sign an Alternate Billing Agreement if the Member requests that the tenant be billed for utility service. (See Miscellaneous Transaction Forms.) The Member shall take responsibility for any necessary deposits from the renter/lessee to ensure payment of a past due bill. The Corporation will

notify the Member of the renter's past due payment status. Such notification will be subject to a service charge. See Appendix B)

If at any time the member requests that membership be canceled thereby discontinuing service to an occupied rental property, the Corporation shall provide written notice to the tenant(s) a minimum of five (5) days prior to the scheduled disconnection date.

20. **Membership.**

- a. **Eligibility** - Eligibility for Membership shall not guarantee service to the Applicant or Transferee; however, qualification for service is a prerequisite to Membership eligibility for new Applicants or continued Membership for Transferees.
- b. **Membership** - Upon qualification for service, qualification for Membership, payment of the required fees, and any debt owed to the Corporation, the Corporation shall certify the Applicant as a Member. The Membership shall entitle the Member to one (1) connection to the Corporation's water/sewer utility service and one (1) share of Corporation Stock. The Membership entitles the Member to one (1) vote in the election of directors and in such other matters requiring the approval of the Corporation's Members at any Annual or Special Membership Meeting of the Corporation as prescribed by the Corporation Bylaws. Ownership of more than one (1) Membership shall not authorize the Member to cast more than one (1) vote at any annual or special meeting. Each Membership and Stock thereby represented may be assigned to the specified parcel of land originally designated to receive service at the time of application. (Texas Water Code Section 67.016)
- c. **Transfers of Membership.** – (Texas Water Code Section 67.016)
 - 1) A Member or executor of estate (court order or other legal instrument) is entitled to transfer Membership in the Corporation only under the following circumstances:
 - a) The Membership is transferred by will to a person related to the Transferor within the second degree by consanguinity; or
 - b) The Membership is transferred without compensation to a person related to the Transferor within the second degree by consanguinity; or
 - c) The Membership is transferred without compensation or by sale to the Corporation;
or
 - d) The Membership is transferred as a part of the conveyance of real estate from which the Membership arose.
 - 2) In the event that Membership is transferred pursuant to the provisions of Subsection 20. c. (1) of this Section, such transfer shall not be completed or recorded on the books and records of the Corporation until such time as the transferor has provided satisfactory evidence to the Corporation of such transfer. A transfer of Membership shall be considered a new application for service and is not binding on the Corporation until such transfer has been approved as provided by Subsection 20. c. 3 of this Section.
 - 3) Qualifications for service upon transfer of Membership set forth in Subsection 20.c.1 and 20.c.2 of this Section shall be subject to approval of the Corporation and shall be recorded on the books and records of the Corporation only upon the following terms and conditions:
 - a) The Transferee has completed the required Application Packet including granting the Corporation with a private utility easement on the form provided by the Corporation;
 - b) The membership has not been fully or partially liquidated; and
 - c) The Transferee demonstrates satisfactory evidence of ownership of the property designated to receive service and from which the Membership originally arose.

- 4) If the application packet and other information is not completed on the day transfer of membership is requested the corporation will give the transferee written notice of 10 additional days to produce completed documentation to the corporation office. Service will be disconnected on the day following the 10th day according to disconnection with notice requirements. Additional time may be allowed at the direction of the manager or board.
- d. ***Cancellation of Membership*** – To keep a Membership in good standing, a Base Rate must be paid monthly to the Corporation, whether or not water is used. Failure to pay this monthly charge to the Corporation shall jeopardize the Member’s Membership standing and give rise to liquidation of the Membership Fee and forfeiture of the Membership. A Member may be relieved of this obligation to pay by surrendering the Membership, properly documented, to the Corporation. The Member shall also complete a Service Discontinuance Request Form prior to termination of service. (See Appendix B.) However, a Member is not relieved of any obligations incurred prior to the date of surrender of a properly endorsed Membership prior to termination of service. Rights to future service at this tap shall be extended on an as-available basis and subject to the terms of the Activation of Service Section E 1. of this Tariff. (Texas Water Code Section 67.016)
- e. ***Liquidation Due to Delinquency*** –When the amount of the delinquent charges owed by the Member equals the Membership Fee, the Membership Fee shall be liquidated and the Membership canceled and transferred back to the Corporation. In the event the Member leaves a balance due on an account guaranteed under the terms of a Service Application and Agreement, and the delinquent Member owns more than one Membership, the Corporation may liquidate as many of the Member Guarantor’s Membership Fees as necessary to satisfy the balance due the Corporation, provided proper notice has been given (See Tariff Section E, Subsection 11. a.). The Corporation shall collect any remaining account balances by initiation of legal action. Reinstatement of service shall be subject to the terms of the Activation of Service Subsection E. 1. b. of this Tariff.
- f. ***Cancellation Due to Policy Noncompliance*** – The Corporation may cancel a Membership anytime a Member fails to comply with policies of the Corporation, including but not limited to Member’s failure to provide proof of ownership of the property from which the Membership arose. (Texas Water Code Section 67.016)
- g. ***Re-assignment of Cancelled Membership.***
- 1) The Corporation, upon cancellation of Membership under the provisions of this Tariff, may re-assign the canceled Membership to a person or entity that has legal title to the real estate from which the canceled membership arose and for which water or sewer service is requested (Texas Water Code Section 67.016). Membership will not be re-assigned unless the person or entity that has legal title to the real estate has complied with the corporation’s current rates, charges, and conditions of service, including current membership fee, set forth in the tariff and service application package.
 - 2) The Corporation shall reassign a canceled Membership to a person or entity that acquires the real estate from which the Membership arose through judicial or nonjudicial foreclosure. The Corporation will require proof of ownership resulting from the foreclosure and compliance with the corporation’s current rates, charges, and conditions of service, including current membership fee, set forth in the tariff and service application package. In the event of foreclosure by a mortgage institution, the Corporation may allow a property management company to acquire the Membership if the management company provides written documentation showing that the management company is legally responsible for the

management of the property and it is not feasible for the mortgage institution to be the Member.

- h. ***Mortgaging of Memberships*** – Nothing herein shall preclude a Member from mortgaging his/her Membership. However, notification to the holder of any security interest (mortgagee/lien-holder) of account status of Member/mortgagor will be provided only upon satisfactory completion of requirements for such conditions under the Membership Mortgage Agreement (See Miscellaneous Transaction Forms). Prior to the cancellation of any Membership as provided under Subsection E. 20. d. (Cancellation of Membership), the Corporation will notify the holder of any security interest in the Membership. The holder of the security interest also must hold a security interest in the real property at which water service is provided under the Membership. The Corporation may transfer the Membership to the holder of such security interest in lieu of cancellation, provided the holder of the security interest pays in full all delinquent and unpaid obligations and provided further that the holder of the security interest has secured title to the real property from which the Membership arose. The Corporation may withhold cancellation of a Membership pending the resolution of any foreclosure proceedings or similar legal proceedings by the holder of the security interest.
- i. ***Cancellation and Re-Assignment of Membership as a Result of Bankruptcy Proceedings*** – Upon notice of the filing of a petition in bankruptcy, the Corporation may require the posting of a deposit or other form of security, acceptable to the Corporation, as a condition for continuing utility service. Unless special circumstances require otherwise, the amount of security shall equal the amount of charges for the month of greatest use during the preceding 12 months. The Corporation shall not require the payment of any security prior to the expiration of 20 days following the date on which the petition is filed. Failure to provide this security by the date specified by the Corporation may result in termination of service according to the Disconnection with Notice Provisions of Section E. 12. of this Tariff, with a copy of the notice to the bankruptcy Trustee.
- j. ***Cancellation and Re-Assignment of Membership as a Result of Divorce or Death (or Dissolution of Joint Tenancy)*** – The Corporation shall transfer the membership to a spouse (or joint tenant) or heir who has been awarded the property designated to receive service. The Corporation must be provided adequate documentation of the ownership rights of the spouse (or joint tenant) or heir requesting transfer, such as final divorce decree, temporary court order, probate decree, affidavit of heirship, or agreement. In no event shall any membership(s) be transferred if the transferee does not otherwise meet the qualifications for membership and for service.

21. Member's Responsibility.

- a. The Member shall provide access to the meter or sewer tap location as per the easement and service agreement. If access to the meter is hindered or denied preventing the reading of the meter, an estimated bill shall be rendered to the Member for the month; and a notice shall be sent to the effect that access could not be gained. If access is denied for three (3) consecutive months after proper notification to the Member, then service shall be discontinued and the meter removed with no further notice. Conditions that may hinder access include, but are not limited to, fences with locked gates, vehicles or objects placed on top of meters or meter boxes, and unrestrained animals.
- b. The Member shall be responsible for compliance with all utility, local, and state codes, requirements, and regulations concerning on-site service and plumbing facilities.

- 1) All water connections shall be designed to ensure against on-site sewage contamination, back-flow or siphonage into the Corporation's water supply. In particular, livestock water troughs shall be plumbed above the top of the trough with air space between the discharge and the water level in the trough. (30 TAC 290.46, Texas Health & Safety Code Chapter 366)
- 2) All outside water faucets must have an anti-siphon device on hose bib connections.
- 3) A Reduced Pressure Zone Assembly (RPZA) is required for any cross-connection classified as health hazard by the Texas Commission on Environmental Quality (TCEQ). Examples of these potential hazards are:
 - a. Properties that are serviced by an On-site Sewage treatment facility (septic tank and leach field) AND have an irrigation system, installed in 2009 or later (or if installed prior to 2009 and requires major maintenance, alteration repair of service), supplied by the public potable water source. (ref. TAC §344.51;
 - b. Sewage pumps/lift stations;
 - c. Water to a dock or dock side facility / marina;
 - d. Commercial car wash and;
 - e. Other examples shall be found in 30 TAC §290.47(f).
 - f. The RPZSA must be installed by a licensed plumber or irrigation specialist between the system and the water meter. After installation it must be inspected by a certified Backflow Prevention Assembly Tester (BPAT) with the inspection report sent to PKWSC. Inspection is required annually thereafter with the report sent to PKWSC.
- 4) Any connection classified as a non-health hazard but still deemed a cross-connection may use a Double-Check Valve Assembly (DCVA)
- 5) The use of pipe and pipe fittings that contain more than 0.25% lead or solder and flux that contain more than 0.2% lead is prohibited for any plumbing installation or repair of any residential or nonresidential facility providing water for human consumption and connected to the Corporation's facilities. Customer service pipelines shall be installed by the applicant. (30 TAC 290.46; RUS-TX Bulletin 1780-9)
- c. A Member owning more than one (1) Membership shall keep all payments current on all accounts. Failure to maintain current status on all accounts shall be enforceable as per Service Application and Agreement executed by the Member.
- d. The Corporation's ownership and maintenance responsibility of water supply and metering and sewer equipment shall end at the meter or other service equipment as installed. Therefore, all water usage registering upon and/or damages occurring to the metering equipment owned and maintained by the Corporation shall be subject to charges as determined by the Corporation's Tariff as amended from time to time by the Board of Directors.
- e. The Corporation shall require each Member to have a cut-off valve within two feet of the meter on the Member's side of the meter for purposes of isolating the Member's service pipeline and plumbing facilities from the Corporation's water pressure. The valve shall meet AWWA standards (a ball valve is preferred). The Member's use of the Corporation's curb stop or other similar valve for such purposes is prohibited. Any damage to the Corporation's equipment shall be subject to service charges. (This cut-off valve may be installed as a part of the original meter installation by the Corporation.)
- f. The member is required to notify the system 48 hours prior to digging or excavation activities along or near water/sewer lines and appurtenances.

22. ***Meter Relocation.*** Relocation of services shall be allowed by the Corporation provided that:
- a. The relocation is limited to the existing property designated to receive service;
 - b. A current easement for the proposed location has been granted to the Corporation; and
 - c. The Member pays the actual cost of relocation plus administrative fees.
 - d. Service capacity is available at proposed location.

23. ***Meter Tampering and Damage to Property.***

- a. For purposes of this Section, the term “Tampering” shall mean meter-tampering, by-passing, or diversion of the Corporation’s service equipment, or other instances of diversion, including:
 - 1) Removing a locking or shut-off device used by the Corporation to discontinue service;
 - 2) physically disorienting the meter or sewer tap;
 - 3) attaching objects to the meter or sewer tap to divert service or to by-pass;
 - 4) inserting objects into the meter or sewer tap;
 - 5) other electrical and mechanical means of tampering with, by-passing, or diverting service; connection or reconnection of service without Corporation authorization;
 - 6) connection into the service line of adjacent customers of the Corporation; and
 - 7) preventing the supply or wastewater discharge from being correctly registered by a metering device or sewer tap due to adjusting the valve so that flow is reduced below metering capability.

The burden of proof of Tampering is on the Corporation. Photographic evidence or any other reliable and credible evidence may be used; however, any evidence shall be accompanied by a sworn affidavit by the Corporation’s staff when any action regarding Tampering is initiated. A court finding of Tampering may be used instead of photographic or other evidence, if applicable. Unauthorized users of services of the Corporation shall be prosecuted to the extent allowed by law under the Texas Penal Code Sections 28.03, 12.21 and 12.22.

- b. If the Corporation determines under subsection (a) that Tampering has occurred, the Corporation shall disconnect service without notice as set forth in Subsection E.11.b. and charge the person who committed the Tampering the total actual loss to the Corporation, including the cost of repairs, replacement of damaged facilities, and lost water revenues.
- c. A person who otherwise destroys, defaces, damages or interferes with Corporation property will be charged the total actual loss to the Corporation including but not limited to the cost of repairs, replacement of damaged facilities, and lost water revenues. The Corporation also will prosecute the offending party to the extent allowed under law pursuant to Texas Water Code Section 49.228 and other applicable laws.
- d. In addition to actual damages charged under subsection (b), the Corporation may assess a penalty against the offending party. The penalty shall not exceed six (6) times the Base Rate.

Note: For purposes of this section, “offending party” means the person who committed the tampering or damaged the property.

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

25. ***Multiple Connections to A Single Tap.***

- a. No more than one (1) residential, commercial, or industrial service connection is allowed per meter, without prior approval from the Corporation. The Corporation may consider allowing an apartment building or mobile home/RV park,

or similar facility to apply as a “Master Metered Account” and have a single meter (See Subsection E. 18.) If the Corporation has sufficient reason to believe a Multiple Connection exists to a permanent or full-time residence, the Corporation may discontinue service under the Disconnection with Notice provisions of this Tariff for a first violation and for subsequent violations, service will be disconnected without notice in accordance with Paragraph E. 12. b. (See Sample Application Packet RUS-TX Bulletin 1780-9 (Rev. 05/17))

b. For purposes of this section, the following definitions shall apply:

- 1) A “multiple connection” is the connection to any portion of a member’s water system that is connected to a primary delivery point already servicing one residence, one commercial or industrial facility serving another residence or commercial or industrial facility. Water or sewer 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 permanent or full-time residence.
- 2) A “primary delivery point” shall mean the physical location of a meter or sewer tap that is installed in accordance with this Tariff and applicable law and which provides water or sewer service to the residence or commercial or industrial facility of a member.
- 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 Corporation.
- 4) “Commercial” facility shall mean any structure or combination of structures at which any business, trade, occupation, profession, or other commercial activity is conducted. A business conducted within a member’s residence or property that does not require water in addition to that provided to the member’s residence shall not be considered a separate commercial facility.

c. The corporation agrees to allow members 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 Six (6) months. If the recreation vehicle/travel trailer is being used for a permanent residence, this Tariff requires that an additional membership be secured, and a separate meter installed. If the member routinely has more than one visitor at a time with recreation vehicles or travel trailers or has multiple visitors throughout the year, the corporation may require that a second or additional meter(s) be purchased. The member may be required to apply as a Master Metered facility. The corporation has the right to refuse or deny the shared usage for any reason. The corporation 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 water demand. These requirements pertain to visitors ONLY. No commercial usage where fees for water are charged is allowed. If a member is found to violate these conditions, the member will be sent a letter of notice stating that water service will be cut off in ten days if the situation is not corrected.

26. **Service Entitlement.** The Applicant(s) shall be considered qualified and entitled to water and/or sewer utility service when proper application has been made, terms and conditions of Service and Membership have been met and continue to be met, and all fees have been paid as prescribed. (16 TAC 24.161(a))

27. **Service Location and Classification.** For the purposes of this Tariff, service requested by the Applicant(s) shall be for real estate designated to receive the service provided by the Corporation. Service shall be through a meter or sewer tap located on that designated real estate unless otherwise approved by the board. Service shall be divided into the following two classes:
- a. **Standard Service** is defined as service on a specific property designated to receive service on an existing pipeline where pipeline or service facility extensions are not required, and special design and/or engineering considerations are not necessary. Typically, this would include 5/8" X 3/4" sized water meter services set on existing pipelines or 4" gravity sewer taps, pressure collection facilities installed or connected to collection lines no more than five feet in depth.
 - b. **Nonstandard Service** is defined as any service request which requires a larger meter service, service to a Master Metered Account (see E. 2. of this section), or an addition to the supply, storage and/or distribution/collection system. The service requirements as prescribed by Section F. of this Tariff shall be required of the Nonstandard Service Applicant prior to providing service.
28. **Service Requirements.** The Corporation's Service Application and Agreement Form shall be completed in full and signed by the Applicant(s). Where applicable, in addition to the applicant, any other person sharing an ownership interest in and receiving service at that property shall sign the Service Application and Agreement Form; 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. 05/17))
- a. A Right-of-Way Easement Form, Sanitary Control Easement, or other such easement form, required by the Corporation, must be completed by the Applicant for the purpose of allowing future facility additions. (See Sample Application - RUS-TX Bulletin 1780-9 (Rev. 05/17), 30 TAC 290.47 Appendix B.) **NOTE: This requirement may be delayed for Nonstandard Service requests.**
 - b. The Applicant shall provide proof of ownership to property for which service has been requested in a manner acceptable to the Corporation. Proof of ownership shall consist of warranty deed, deed of trust or other recordable documentation of title to the real estate designated to receive service. (Texas Water Code Sections 67.016 (d), and 13.002 (11) *See also* Uniform Partition of Heirs Property Act, Property Code Chapter 23A).
 - c. On the request by the property owner or owner's authorized agent, the Corporation shall install individual meters owned by the Corporation in an apartment house, manufactured home rental community, multiple use facility, or condominium on which construction begins after January 1, 2003, unless the Corporation determines that installation of individual meters is not feasible. If the Corporation determines that installation of individual meters is not feasible, the property owner or manager shall install a plumbing system that is compatible with the installation of master meters. The Corporation shall be entitled to the payment of costs, including the costs of master meter installations, as provided in Section G12. The cost of master 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/sewer 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 memberships required for each individual meter.
 - d. Notice of application approval and costs of service determined by the Corporation 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. (16 TAC 24.153 (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 Corporation for the purpose of installing the water main and appurtenances, and the Corporation has documentation of such refusal, the Applicant, prior to receiving the requested service, shall grant the easement(s) required under this Tariff 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 or easements for the Corporation's system-wide service. (See Appendix B.)
- f. The Corporation shall post on its website or provide to each service applicant or transferee a copy of the Disclosure of Personal Information Request Form. (See Appendix B). *See also*, Texas Utilities Code Section 182.052(c).

Section F

DEVELOPER AND SUB-DIVISION
NON-STANDARD SERVICE REQUIREMENTS

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 Corporation's respective costs.

For purposes of the Section, the term "Applicant" shall refer to the individual or entity that desires to secure Non-Standard Service from the Corporation. The Applicant must be the same person or entity that is authorized to enter into a contract with the Corporation setting forth 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 the real property, the Applicant must furnish evidence to the Corporation 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 3/4" diameter and service lines exceeding 30 feet. Non-residential or residential service applications requiring a larger sized meter typically will be considered non-standard. For the purposes of this Tariff, Applications subject to this Section shall be defined as Non-Standard. This Section may be altered or suspended for planned facility expansions when the Corporation extends its indebtedness. The Board of Directors of the Corporation 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 Corporation will process Non-Standard Service Requests. The specific terms and conditions pursuant to which the Corporation will provide non-standard service in response to any request 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 Corporation 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 Contract by the Corporation:

- a. The Applicant shall provide the Corporation a completed Service Application And Agreement giving special attention to the item(s) on SPECIAL SERVICE NEEDS OF THE APPLICANT.
 - b. A final plat approved by the Corporation must accompany the Application showing the Applicant's requested service area. The plat must be approved by all governmental authorities exercising jurisdiction over lot sizes, sewage control, drainage, right-of-way, and other service facilities. Plans, specifications, and special requirements of such governmental authorities shall be submitted with the plat. Applicants for single taps involving extension or upsizing of facilities shall be required to submit maps or plans detailing the location of the requested extension and details of demand requirements.
 - c. A Non-Standard Service Investigation Fee shall be paid to the Corporation in accordance with the requirements of Section G for purposes of paying initial administrative, legal, and engineering fees. The Corporation 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 Corporation, the Applicant shall pay to the Corporation all remaining expenses that have been, or will be incurred by the Corporation and the Corporation shall have no obligation to complete processing of the request until all remaining expenses have been paid.
 - d. If, after the service investigation has been completed, the Corporation determines that the Applicant's service request is for property located, in whole or in part, outside the area described in the Corporation'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 utility;
 - 2) The service location is not within another retail utility's Certificate of Convenience and Necessity; and
 - 3) The Corporation'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 Corporation in amending its CCN, including but not limited to engineering and professional fees. If the service location is contiguous to or within one-fourth (1/4) mile of Corporation's Certificate of Convenience and Necessity, Corporation 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 Corporation in securing the amendment).
4. **Design.** The Corporation shall approve the design requirements of the Applicant's required facilities prior to initiation of a Non-Standard Service Contract in accordance with the following schedule:
- a. The Corporation'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

Corporation'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 Section 4.
 - c. The Consulting Engineer shall submit to the Corporation a set of detailed plans, specifications, and cost estimates for the project.
 - d. The Corporation'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 application for service. The Corporation reserves the right to upgrade design of service facilities to meet future demands provided however, that the Corporation shall pay the expense of such upgrading in excess of the Applicant's facility requirements.
5. ***Non-Standard Service Contract.*** Applicants requesting or requiring Non-Standard Service may be required to execute 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. 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/sewer 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. Terms by which service capacity shall be reserved for the Applicant and duration or reserved service with respect to the demand which the level and manner of the service will have upon the Corporation's system facilities.
 - d. Capital in Aid of Construction (Front-end Capital Contributions) required by the Corporation in addition to the other costs required under this Section.
 - e. Monthly Reserved Service Charges as applicable to the service request.
 - f. Terms by which the Applicant shall be reimbursed or compensated for fees duplicated in assessments for monthly rates and Equity Buy-In Fees.
 - g. Terms by which the Corporation shall administer the Applicant's project with respect to:
 - 1) Design of the Applicant's service facilities;
 - 2) Securing and qualifying bids;
 - 3) Execution of the Service Agreement;
 - 4) Selection of a qualified bidder for construction;
 - 5) Dispensing advanced funds for construction of facilities required for the Applicant's service;
 - 6) Inspecting construction of facilities; and
 - 7) Testing facilities and closing the project.
 - h. Terms by which the Applicant shall indemnify the Corporation from all third party claims or lawsuits in connection with the project.
 - i. Terms by which the Applicant shall dedicate, assign and convey to the Corporation all constructed facilities and related rights (including contracts, easements, rights-of-way, deeds, warranties, and so forth) by which the Corporation 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 Corporation.

- 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 Corporation 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 Corporation, then the Corporation 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 Corporation 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 Corporation will require that all facilities be uncovered by the Applicant for inspection by the Corporation, require that any facilities not approved by the Corporation be replaced, and take any other lawful action determined appropriate by the Board of Directors of the Corporation.
 7. ***Property and Right-of-Way Acquisition.*** With regard to construction of facilities, the Corporation shall require private right-of-way easements or private property as per the following conditions:
 - a. If the Corporation determines that right-of-way easements or facility sites outside the Applicant's property are required, the Applicant shall secure easements or title to facility sites on 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. (See Sample Application Packet RUS Form 442-8 or 442-9.)
 - b. All costs associated with facilities that must be installed in public right-of-ways on behalf of the Applicant, due to the inability of the Applicant to secure private right-of-way easements, 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 Corporation secures such private easements or facility sites through eminent domain proceedings.
 - c. The Corporation shall require an exclusive dedicated right-of-way on the Applicant's property (as required by the size of the planned facilities and as determined by the Corporation) and title to property required for other on-site facilities.
 - d. Easements and facilities sites shall be prepared for the construction of the Corporation's pipeline and facility installations in accordance with the Corporation's requirements and at the expense of the Applicant.
 8. ***Bids for Construction.*** The 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 Non-Standard Service Contract.

10. *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, 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 compliance with Corporation standards.
- 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 construction or operation of the Applicant's facility. All change-order amounts shall be charged to the Applicant.

11. *Dedication of Water System Extension to WSC.*

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

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 corporation 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 Corporation with details concerning access to the property during evaluation of application.
 - c. Applicant shall be notified in writing by the Corporation 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 Corporation'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 nonstandard 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 Corporation under the provisions of this Tariff and specifically the provisions of this Section; if the Applicant fails to pay these costs, the Corporation 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 Corporation is obligated to provide water/sewer service (Texas Water Code 13.2502). In addition, Corporation 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. *Final approval*** – Upon final approval by the Corporation and acceptance of proposal for service by the Applicant, a non-standard service contract will be executed and the Corporation shall provide service according to the conditions contained in the Non-Standard Service Contract.

Section G

RATES AND SERVICE FEES

SECTION G RATES AND SERVICE FEES

Unless specifically defined in this Tariff, all fees, rates, and charges as stated shall be non-refundable. *Additionally, rates and service fees will apply to all members unless specifically defined in the “fee” description.*

1. ***Additional Assessments.*** In the event any federal, state or local government imposes on the Corporation a “per Meter” fee or an assessment based on a percent of water / sewer charges, this fee or assessment will be billed and collected as a “pass through” charge to the customer.
2. ***Administrative Fee.*** An administrative fee of \$50.00 will be billed for new service applications due to the document processing required for billing and coordination of the installation.
3. ***Assessments.*** If at the end of the fiscal year, or in the event of emergency repairs, the Board of Directors determines the total amount derived from the collection of water charges to be insufficient for the payment of all costs incident to the operation of the Corporation’s system during the year in which such charges are collected, the Board shall make and levy an assessment against each Member of the Corporation as the Board may determine or as may be required by Rural Development, so that the sum of such assessments and amount collected from waste and other charges is sufficient to fully pay all costs of the operation, maintenance, replacement and repayment of indebtedness for the year’s operations. (See Article XVIII of USDA Model bylaws, Section 1 Rev. 12-2011 or the Corporations’s bylaws or other governing documents)
4. ***Backflow Prevention Testing & Inspection.*** The Corporation can provide annual inspection of installed Reduced Pressure Zone Assembly devices for \$100.00. Members can request this service by notifying the office. This can be set up to be automatically inspected annually with the approval the Member.
5. ***Capital in Aid of Construction(CIAC).***
CIAC is a developer's obligation to compensate PKWSC for service capacity that will be dedicated to service the property. These funds are to reimburse PKWSC for that portion of its existing services capacity being reserved for the property plus increased capacity to be created by an upgrade(s) to the Water Treatment Plant to increase production in .5MGD increments, a portion of which will be dedicated to the developer’s property. The CIAC fee as of January 1, 2023 is \$25,120 per residential connection. This is based on the December, 2022, engineering estimate of \$19,518,240 to build a facility with production equipment for .5 MGD. The number of residential meters to be service with a .5 MGD system is 777. CIAC is calculated by dividing the engineering estimate by 777. CIAC is in addition to the normal installation fee to obtain water service. A Non-Standard Contract is required to include PKWSC and developer's requirements. See section F
6. ***Customer History Report Fee.*** A fee of \$15.00 shall be charged to provide a copy of the Members record of past water purchases in response to a Member's request for such a record.
7. ***Customer Service Investigation Fee.*** A fee of \$75.00 shall be assessed each applicant before permanent continuous service is provided for new meter placements.

8. **Data Logger / Meter Data Analysis.** Member requests for a “Data Logger” to run on their meter due to potential leak or high usage will be charged \$75.00. The meter data analysis report can be provided to the member. Should it be determined that an error or mistake has been made by PKWSC, the fee will be waived or credited as appropriate. *(Added to the Tariff 11-15-2021)*
9. **Disconnect Fee.** A fee of \$50.00 will be charged to disconnect a meter due to non-payment or other approved violations defined in Section E. 12.
10. **Easement Fee.** When the Corporation determines that private right-of-way easements and/or facilities sites are necessary to provide service to the Applicant, the Applicant shall be required to make good faith efforts to secure easements on behalf of the Corporation and/or pay all costs incurred by the Corporation in validating, clearing, and retaining such right-of-way in addition to tap fees otherwise required pursuant to the provisions of this Tariff. The costs may include all legal fees and expenses necessary to attempt to secure such right-of-way and/or facilities sites on behalf of the Applicant. (See Section E. 3. c. (2), Section F. 7. a.)
11. **Equipment Damage Fee.** If the Corporation's facilities or equipment have been damaged by tampering, by-passing, installing unauthorized taps, reconnecting service without authority, or other service diversion, a fee shall be charged equal to the actual costs for all labor, material, and equipment necessary for repair, replacement, and other Corporation actions. This fee shall be charged and paid before service is re-established. If the Corporation's equipment has not been damaged, a fee equal to the actual costs for all labor, material, equipment, and other actions necessary to correct service diversions, unauthorized taps, or reconnection of service without authority shall be charged. All components of this fee will be itemized, and a statement shall be provided to the Member. If the Corporation's facilities or equipment have been damaged due to negligence or unauthorized use of the Corporation's equipment, right-of-way, or meter shut-off valve, or due to other acts for which the Corporation incurs losses or damages, the Member shall be liable for all labor and material charges incurred as a result of said acts or negligence.
12. **Equity Buy-In Fee.** In addition to the Membership Fee, each Applicant shall be required to achieve parity with the contributions to the construction of the Corporation’s facilities capacity that have been made previously by existing Members. 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 fee for oversized or Master Metered Accounts shall be based on multiples of meter size equivalence or actual connections served. *Requests for service from the area acquired from Rock Creek Water Supply will not have this fee applied. (Revised 7-1-17)*

The formula applied to such fee calculated annually after receipt of the system audit is as follows:

Sample Calculation:

Total Contributions and Assets of the Corporation minus (-)	\$46,643,540.00
Accumulated Depreciation minus (-)	\$17,642,595.00
Outstanding Corporation Debt Principle minus (-)	\$ 3,756,479.00
Developer Contributions minus (-)	\$ 8,098,277.00
Grants received divided by	\$ 5,795,000.00
Total Number of Members / Customers equals =	2,751
Average Net Equity Buy-In Fee	\$ 4,126.21

- a. The preliminary Equity Buy-In Fee is \$420.00
- b. Effective May 17, 2006, the Equity Buy-In Fee is \$390.00
- c. Effective July 18, 2007, the Equity Buy-In Fee is \$505.00
- d. Effective May 22, 2008, the Equity Buy-In Fee is \$590.00
- e. Effective July 15, 2009, the Equity Buy-In fee is \$485.00
- f. Effective June 1, 2010, the Equity Buy-In fee is \$415.00
- g. Effective June 1, 2011, the Equity Buy-In fee is \$430.00
- h. Effective May 1, 2012, the Equity Buy-In fee is \$570.00
- i. Effective May 1, 2013, the Equity Buy-In fee is \$554.00
- j. Effective May 1, 2014, the Equity Buy-In fee is \$524.00
- k. Effective May 1, 2015, the Equity Buy-In fee is \$570.00
- l. Effective June 1, 2016, the Equity Buy-In fee is \$460.00
- m. Effective June 1, 2017, the Equity Buy-In fee is \$495.00
- n. Effective June 1, 2018, the Equity Buy-In fee is \$1,167.00
- o. Effective June 1, 2019, the Equity Buy-In fee is \$1,169.00
- p. Effective June 1, 2020, the Equity Buy-In fee is \$1,242.00
- q. Effective June 1, 2021, the Equity Buy-In fee is \$1,731.00
- r. Effective June 1, 2022, the Equity Buy-In fee is \$1,896.00
- s. Effective July 1, 2023, the Equity Buy-In fee is \$2,169.00
- t. Effective July 1, 2024, the Equity Buy-In fee is \$3,570.00
- u. Effective May 17, 2025, the Equity Buy-In fee is \$3,920.00
- v. Effective May 1, 2026, the Equity Buy-In fee is \$4,130.00

13. **Impact Fee.** *Applies only to the development of The Hills above PK Lake.*

- a. *At the time of closing on property in The Hills above PK Lake, a \$5,900 impact fee was assessed for each lot to cover the cost of the infrastructure. Approximately 176 lots sold prior to May 31, 2016, were not charged this fee and must pay this fee prior to becoming a member and getting a meter. Any lots still owned by the developer as of May 31, 2016, must pay the \$5,900 as part of the sale or transfer closing of the property.*
- b. *The Master Lot Report identifies which lots are to be assessed this fee.*

14. **Information Copy Fee.** A fee for the copying of any public information will be charged to the person requesting that information in compliance with cost rules of the Texas Government Code Section 552.261 et.seq.

15. **Installation Fee.** The Corporation shall charge an installation fee for service as follows:

- a. **Standard Service** shall include all current labor, materials, and equipment 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. To include any additional site-specific equipment or appurtenances necessary to provide water. The fee to be charged for meter installation with a service line up to 30 feet is \$1,770.00.
- b. **Non-Standard Service** shall include:
 - 1) Facility improvement costs including, but not limited to, tanks, piping, main lines, hydrants, and other labor materials necessary to provide service at the level required by Water Code and as requested by the applicant;
 - 2) line and facility inspection fees;
 - 3) administrative costs including, but not limited to, contract administration costs, processing invoices, disbursement of checks to contractors;
 - 4) legal fees, including but not limited to, contract development, easements, water rights,

permits, and CCN amendments for the area;

- 5) engineering fees; and
 - 6) any additional site-specific equipment or appurtenances necessary to provide water as determined by the Corporation under the terms of Section F. of this Tariff (includes tap fees)
- c. **Standard and Non-Standard Service Installations** shall include all costs of any pipeline relocations as per Section E.27. of this Tariff.

16. **Late Payment Fee.** Once per billing period, a penalty of \$15.00 or 1%, whichever is larger, shall be applied to delinquent bills. This late payment penalty shall not be applied to any balance to which the penalty was applied in a previous billing period but shall be applied to any unpaid balance during the current billing period. **NOTE: The Corporation cannot charge political subdivisions and state agencies the late payment fee. (Texas Government Code Chapter 2251.021 and Section E.13.)**

17. **Line Extension Reimbursement Fee.** – An approved Applicant may have to pay, on a prorated basis, a line reimbursement fee to the Corporation for the purpose of reimbursing a member or other entity that made the initial capital outlay to extend service to that area.

18. **Membership Fee.** At the time the application for service is approved, a refundable Membership Fee must be paid for each service requested before service shall be provided or reserved for the Applicant by the Corporation. The membership fee cannot be more than 12 times the minimum monthly base rate.

- a. The Membership Fee for water service is \$300.00 for each service unit.
- b. Membership fee for oversized or Master Metered Accounts shall be based on multiples of meter size equivalence. (See Chart in Subsection 17.a.2 below.)

19. **Meter Tampering and Diversion Penalty.** In addition to the Equipment Damage Fee, the Corporation may charge a penalty for “Tampering” as defined in Section E 23. 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 Base Rate.

20. **Monthly Charges.**

a. **Base Rate**

(1) Water Service - monthly charge for metered water service is based on demand by meter size. 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.

(2) Water Service

<u>Meter Size</u>	<u>5/8 X 3/4 Meter Equivalents</u>	<u>Monthly Rate</u>
5/8 X 3/4	1	\$48.00
1 – inch	2.5	\$120.00
1 ½ inch	5	\$240.00
2 – inch	8	\$384.00
3” DISP	9	\$432.00
4” Compound	25	\$1,200.00

(3) Condominiums that are individually owned on a master meter will bill the base rate with the monthly bill going to the association and the association will be the member of the corporation. The monthly fee will be the residential rate times the number of individual units in each complex.

b. **Reserved Service Charges** -- The monthly charge for each active account at a specific location

for which a meter has not been installed but for which the Corporation and the Applicant have entered into agreement and/or contract for reserved service. This monthly charge shall be based on the Corporation's fixed costs to service the Applicant's dedicated facilities on a per Service Unit basis. This charge reserves service to the Applicant's property designated to receive service. This fee is determined on a case-by-case basis but shall never exceed the Service Availability Charge for Metered Service on a per Service Unit basis. The reserved service charge for a normal residential meter has been set by the Board at 85% of the service availability charge. *This fee does not apply to the development of The Hills above PK Lake. (Revised 7/1/17)*

c. **Gallage Charge** - In addition to the Base Rate, a gallage charge shall be added at the following rates for usage during any one (1) billing period based on 1,000 gallons.

1) Water

- | | |
|------------------------------------|---------|
| a) 1 to 5,000 gallons per month | \$ 2.00 |
| b) 5001-10,000 gallons per month | \$ 3.50 |
| c) 10,001-20,000 gallons per month | \$ 5.50 |
| d) 20,001-40,000 gallons per month | \$ 8.00 |
| e) 40,001 + gallons per month | \$15.00 |

2) Condominiums, as described in paragraph a. 3 above, will bill water usage based on 1/2 the number of units applied to each step of the rates in paragraph (1) above. Example: 42-unit condo will bill 5,000 times 21 for a total of 1-105,000 gallons at \$2.00.

3) The Corporation shall, as required by Texas Water Code Section 5.701, collect from each of its retail customers a regulatory assessment equal to one-half of one percent of the charge of retail water service. This charge shall be collected in addition to other charges for utility service. This fee is collected on all charges pertaining to Section G.16. Monthly Charges of the Tariff. 30 TAC 21.769d0)

21. **Mortgagee/Guarantor Notification Fee.** The Corporation shall assess a fee of \$15.00 for each notification to a Membership lien-holder under agreement prior to Membership cancellation. (See Appendix B.)

22. **Meter Test Fee.** The Corporation shall test a Member's meter upon written request of the Member. Under the terms of Section E. of this Tariff, a charge of \$25.00 shall be imposed on the affected account.

23. **Other Fees.** All services outside the normal scope of utility operations that the Corporation may be compelled to provide at the request of a Member, or the general public shall be charged to the recipient based on the cost of providing such service.

24. **Owner Notification Fee.** The Corporation shall assess a fee of \$15.00 per notification to a Member of a renter/lessee delinquent account status prior to disconnection of service. (See Miscellaneous Transaction Forms.)

** Section Continues ***

25. Rate Sheet. (Summary of Rates)

Effective May 1st, 2026

New Residential Service Fees Standard Installation			Hills Above New Residential Service Fees Standard Installation	
	Standard	Road Bore	Standard	Road Bore
Membership	\$300.00	\$300.00	\$300.00	\$300.00
Impact Fee To be used to cover the cost of the infrastructure	Not Applicable	Not Applicable	\$5,900.00 (as applicable)	\$5,900.00 (as applicable)
Equity Buy-In Fee To be used for future capacity improvements	\$4,130.00	\$4,130.00	Not Applicable	Not Applicable
Service Investigation Engineer must approve all new service added to the system	\$150.00	\$150.00	Included in Impact Fee	Included in Impact Fee
Administration	\$50.00	\$50.00	\$50.00	\$50.00
Service Initiation Up to 30 foot service line - over 30 feet will require quote	\$1,770.00	\$1,770.00 + \$635.00 min. (quote required)	\$1,770.00	\$1,770.00 + \$635.00 min. (quote required)
Inspection of Meter Connection	\$75.00	\$75.00	\$75.00	\$75.00
Total	\$6,475.00	\$	\$8,095.00	\$

Service Fees	
Monthly Minimum 5/8 x 3/4	\$48.00
Reserved Service	\$40.80
Monthly Minimum 1"	\$120.00
Monthly Minimum 1 1/2"	\$225.00
Monthly Minimum 2"	\$384.00
Residential Water per 1,000 Gallons	
1 to 5,000 gallons per month	\$2.00
5,001 to 10,000 gallons per month	\$3.50
10,001 to 20,000 gallons per month	\$5.50
20,001 to 40,000 gallons per month	\$8.00
40,001 + gallons per month	\$15.00
Late Payment	\$15.00
Customer Service Inspection	\$75.00
Backflow Prevention Testing & Inspection	\$100.00
Returned Check	\$35.00
Disconnect	\$50.00
Reconnect	\$50.00
Service Trip	\$50.00
Customer History Report	\$15.00
Meter Test	\$25.00
Meter Data Analysis	\$75.00
Transfer	\$150.00
Non-Disclosure	\$5.00
The Hills above PK Annual Stand-by	\$300.00
Capital in Aide of Construction (CIAC)	\$25,120.00

Equipment damage or services outside the normal scope of Utility operations or at the request of a Member shall be charged to the member based on the cost of providing such service or repair.

26. **Reconnect Fee.** The Corporation shall charge a fee of \$50.00 for reconnecting service after the Corporation has previously disconnected the service for any reason provided for in this Tariff except for activation of service under section E.1.b. Re-service.
27. **Regulatory Assessment.** A fee of 0.5% of the amount billed for water service will be assessed by each customer. This assessment is required under Texas law and TCEQ regulations.
28. **Returned Check Fee.** In the event a check, draft, or any other similar instrument is given by a person, firm, corporation, or partnership to the Corporation for payment of services provided for in this Tariff, and the instrument is returned by the bank or other similar institution as insufficient or non-negotiable for any reason, the account for which the instrument was issued shall be assessed a return check charge of \$35.00. (see Appendix B)
29. **Service Trip Fee.** The Corporation shall charge a trip fee of \$50.00 for any service call or trip to the Member's tap as a result of a request by the Member or tenant for response to damage of the Corporation's or another Member's facilities, or a service call where the reported issue is determined to not be the Corporation's responsibility; 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. For service trips that extend beyond one hour, such as when an extended line location is required, the Corporation shall charge \$40.00 per employee per hour for each additional hour required.
30. **Service Investigation Fee.** The Corporation shall conduct a service investigation for each service application submitted to the Corporation. An initial determination shall be made by the Corporation, without charge, as to whether the service request is Standard or Nonstandard. An investigation shall then be conducted, and the results reported under the following terms:
- a. All Standard Service requests shall be subject to a non-refundable Service Investigation Fee of \$150.00. Such requests shall be investigated and all applicable costs for providing service shall be quoted in writing to the Applicant within ten (10) working days of application. There are developments within the CCN that have been approved in total by the engineer and the Service Investigation Fee is not applicable. Individual contracts for property within the development must be referenced prior to submission of the request to the engineer. Master easements are also on file and not required for individual lots.
 - 1) The Harbor
 - 2) The Ranch
 - 3) The Hills above PK Lake
 - 4) Juniper Ridge
 - 5) The Reserve at Gaines Bend
 - 6) The Point
 - 7) Water Ridge
 - 8) Bailey's Crystal Bay
 - b. A fee shall be charged appropriate to each project, of sufficient amount to cover all administrative, legal, and engineering fees associated with investigation of the Corporation's ability to deliver service to the Applicant to;
 - 1) provide cost estimates of the project,
 - 2) present detailed plans and specifications as per final plat,
 - 3) advertise and accept bids for the project,
 - 4) present a Non-Standard Service Contract to the Applicant, and
 - 5) provide other services as required by the Corporation for such investigation. A Non-Standard Service Contract shall be presented to the Applicant within a suitable amount

of time as determined by the complexity of the project. (See Section F.)

- c. All Nonstandard Service requests shall be subject to a fee, appropriate to each project, or sufficient amount to cover all administrative legal, and engineering fees associated with investigation of the Corporation's ability to deliver service to the Applicant to:
 - 1) provide cost estimates of the project;
 - 2) present detailed plans and specifications as per final plat;
 - 3) advertise and accept bids for the project;
 - 4) present a Nonstandard Service Contract to the Applicant; and
 - 5) provide other services as required by the Corporation for such investigation. A Nonstandard 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.)

30. ***Stand-by Fee Billed Annually.*** *This fee applies only to the development of The Hills above PK Lake. All lots that have been sold but do not have a meter will be assessed a \$300.00 annual stand-by fee to cover the cost of maintenance and repair of the distribution system. This is to keep the system maintained in good order until such time as the lot owner requires a water meter to be installed on the lot. This fee was identified on the closing documents with the purchase from Southern Lakes and Leisure and may not apply to second, or future) owners of the property. (Revised 7/1/17)*

31. ***Transfer Fee.*** An Applicant for service who is a Transferee shall complete all required application forms, etc., and pay a Transfer Fee of \$150.00.

32. ***Voluntary Contributions*** --The Corporation, as part of its billing process, collects voluntary contributions on behalf of the Palo Pinto and Stephens County Volunteer Fire Department. These donations will be divided by members serviced with 80% going to the PK East Side Volunteer Fire Department and 20% to the West Side Volunteer Fire Department.

Section H

WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN

This information is provided in separate Handbook that contains information required annually by TCEQ and TWDB

A copy is available upon request

Appendix A

APPLICATION PACKET

1. New Service Request
2. Standard Application and Agreement Form
3. General Type Right-of-Way Easement
4. Non-Standard Application and Agreement

Appendix B

TRANSACTION FORMS

PKWSC INVESTMENT POLICY

I. POLICY

It is the policy of the Possum Kingdom Water Supply Corporation (PKWSC) that after allowing for the anticipated cash flow requirements of the WSC and giving due consideration to the safety and risk of investment, all available funds shall be invested in conformance with these legal and administrative guidelines, seeking to optimize interest earnings to the maximum extent possible.

Effective cash management is recognized as essential to good fiscal management. Investment interest is a source of revenue to PKWSC funds. The PKWSC's investment portfolio shall be designed and managed in a manner designed to maximize this revenue source, to be responsive to public trust, and to be in compliance with legal requirements and limitations. Investments shall be made with the primary objectives of:

- **Safety** and preservation of principal
- Maintenance of sufficient **liquidity** to meet operating needs
- Optimization of **interest earnings** on the portfolio

II. PURPOSE

The purpose of this investment policy is to provide for an investment strategy and comply with other requirements and Chapter 2256 of the Government Code ("Public Funds Investment Act"), which requires each District to adopt a written investment policy regarding the investment of its funds and funds under its control. The Investment Policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the PKWSC's funds.

III. SCOPE

This Investment Policy shall govern the investment of all financial assets of the WSC. These funds are accounted for in the WSC's Comprehensive Annual Financial Report and include:

- General Operating Funds
- Bond Interest and Sinking Fund
- Debt Service Reserve Fund
- Any new fund created by the WSC, unless specifically exempted from this Policy by the Board of Directors (Board) or by law

This Investment Policy shall apply to all transactions involving the financial assets and related activity for all the foregoing funds. However, this policy does not apply to the assets administered for the benefit of the WSC by outside agencies under deferred compensation programs.

IV. INVESTMENT OBJECTIVES

The PKWSC shall manage and invest its cash with four primary objectives, listed in order of priority: **safety, liquidity, public trust, and yield, expressed as optimization of interest earnings**. The safety of the principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to the public trust and consistent with state and local law.

The PKWSC shall maintain a comprehensive cash management program, which includes collection of account receivables, vendor payments in accordance with invoice terms, and prudent investment of available cash. Cash management is defined as the process of managing monies in order to ensure maximum cash availability and maximum earnings on short-term investment of idle cash.

Safety [PFIA 2256.005(b)(2)]

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.

- Credit Risk – The PKWSC will minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment, by:
 - Limiting investments to the safest types of investments
 - Pre-qualifying the financial institutions and broker/dealers with which the PKWSC will do business
 - Diversifying the investment portfolio so that potential losses on individual issuers will be minimized
- Interest Rate Risk – The WSC will minimize the risk that the interest earnings and the market value of the investments in the portfolio will fall due to changes in the general interest rates, by:
 - Structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity.

- Investing operating funds in local government investment pools such as TexPool.
- Diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

Liquidity [PFIA 2256.005(b)(2)]

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated in the next 30 days. Because all possible cash demands cannot be anticipated, the portfolio will be invested in local government investment pools that offer same-day liquidity.

Public Trust

All participants in the PKWSC's investment process shall seek to act responsibly as custodians of the public trust. Investment officers shall avoid any transaction that might impair public confidence in the WSC's ability to govern effectively.

Yield (Optimization of Interest Earnings) [PFIA 2256.005(b)(3)]

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

V. RESPONSIBILITY AND CONTROL

Delegation of Authority [PFIA 2256.005(f)]

In accordance with the Public Funds Investment Act, the Board designates the President of the Board, General Manager, and Treasurer as the PKWSC's Investment Officers. The Investment Officers are authorized to execute investment transactions on behalf of the WSC. No person may engage in an investment transaction or the management of WSC funds except as provided under the terms of this Investment Policy as approved by the Board. The investment authority granted to the investing officers is effective until rescinded by the Board.

Quality and Capability of Investment Management [PFIA 2256.005(b)(3)]

The PKWSC shall provide periodic training in investments for the designated investment officer(s) and other investment personnel through courses and seminars offered by professional organizations, associations, and other independent sources in order to ensure the

quality and capability of investment management in compliance with the Public Funds Investment Act.

Internal Controls (Best Practice)

The General Manager is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the WSC are protected from loss, theft, or misuse. The Internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the General Manager shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The Internal controls shall address the following points:

- Control of collusion.
- Separation of transaction authority from accounting and record keeping.
- Custodial safekeeping.
- Avoidance of physical delivery securities.
- Clear delegation of authority to subordinate staff members.
- Written confirmation for telephone (voice) transactions for investments and wire transfers.
- Development of a wire transfer agreement with the depository bank or third part custodian.

Prudence (PFIA 2256.006)

The standard of prudence to be applied by the Investment Officer shall be the “prudent person” rule. This rule states that “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 probably income to be derived.” In determining whether the Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- The investment of all funds, or funds under the WSC’s control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment.
- Whether the investment decision was consistent with the written approved investment policy of the WSC.

Indemnification (Best Practice)

The Investment Officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific investment's credit risk or market price changes, provided that these deviations are reported immediately and the appropriate action is taken to control adverse developments.

Ethics and Conflicts of Interest [PFIA 2256.005(i)]

Officers and employees involved in the investment process shall refrain from personal business activity that would conflict with the proper execution and management of the investment program, or that would impair their ability to make impartial decisions. Employees and Investment Officer(s) shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the WSC.

The Investment Officer of the WSC who has a personal business relationship with an organization seeking to sell an investment to the WSC shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the WSC shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the Board.

VI. SUITABLE AND AUTHORIZED INVESTMENTS

Portfolio Management

PKWSC funds governed by this policy may only be invested in the following options: interest-bearing checking accounts, savings accounts, money market accounts, certificates of deposit, and local government investment pools. Investment of WSC funds in any instrument or security not authorized for investment under this policy is prohibited.

VII. REPORTING

Methods

The Investment Officer shall prepare an investment report on a quarterly basis that summarizes investment strategies employed in the most recent quarter and describes the portfolio in terms

of investment securities, maturities, and shall explain the total investment return for the quarter.

The quarterly investment report shall include a summary statement of investment activity prepared in compliance with generally accepted accounting principles. This summary will be prepared in a manner that will allow the WSC to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will be provided to the Board. The report will include all periodic reports generated by approved local government investment pools.

An independent auditor will perform a formal annual review of the quarterly reports with the results reported to the governing body [PFIA 2256.023(d)].

Investment Policy Adoption [PFIA 2256.0059e]

The PKWSC's investment policy shall be adopted by resolution of the Board. It is the WSC's intent to comply with state laws and regulations. The WSC's investment policy shall be subject to revisions consistent with changing laws, regulations, and needs of the WSC. The Board shall adopt a resolution stating that it has reviewed the policy and investment strategies annually, approving any changes or modifications.