

SECTION E: SERVICE EXTENSION AND SUBDIVISION POLICY

1. District's Limitations. All Applicants must recognize that the District must comply with local, state and federal rules and regulations as promulgated from time to time, and by covenants of current indebtedness. The District is not required to extend retail utility service to an Applicant in a subdivision where the responsible party (Applicant or Developer) of the applicable property (subdivision) has failed to comply with the terms of this Policy or subsequent laws imposed by the Texas Legislature or U.S. Environmental Protection Agency.
2. Purpose. The purpose of this Section is to govern agreements and service procedures for subdivisions, additions to subdivisions, or developments where service to more than one tract is necessary or whenever additional service facilities are required to accommodate individual, multiple, commercial, or industrial Applicants. For the purposes of this Policy, applications subject to this Section shall be defined as Non-Standard services.
3. Application of Rules. This Section may be altered or suspended when applied to planned facility expansions for which the District extends its indebtedness. The Board of Directors of the District 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.
4. Non-Standard Service Application. The Applicant shall meet the following requirements prior to the initiation of a Service Agreement by the District:
 - a. The Applicant shall provide the District a signed letter containing information pertinent to the service request, along with a preliminary plat or plan. The District shall provide the Applicant with a copy of the District's Operating Policy. A Service Application and Agreement shall be completed, giving special attention to the item on "Special Service Needs of the Applicant."
 - b. Before a plat can be finalized, the placement of water lines, easements and other utilities must be clearly shown. Exclusive Right-of-Way Easements for the District must be recordable. The plat must be approved by all regulatory authorities having jurisdiction over lot sizes, sewage control, drainage, right of way, streets, and other service facilities. Plans, specifications and special requirements of such regulatory authorities shall be submitted along with the plat. Applicants for single taps involving a line extension or up-sizing of facilities shall be required to submit maps or plans detailing the location of the requested extension and details of demand requirements.
 - c. At the time an Application is tendered, a Non-Standard Service Investigation Fee, as defined in Section F, shall be paid to the District to cover initial administrative, legal and engineering fees. The balance after actual expenses shall be refundable to the Applicant or any additional expenses incurred as a result of efforts by the District to study service requirements of the Applicant shall be paid by the Applicant.

- d. If, after the service investigation has been completed, it is determined that the Applicant's service request is for property outside the area within the District's CCN, service may be extended, provided that:
 - (1) The service location is contiguous to or within one-fourth (1/4) mile of the District's Certificated Service Area;
 - 2) The service location is not in an area receiving similar service from another utility holding a CCN for that area; or
 - 3) The holder of a CCN for the service location cannot serve the site and gives written approval for the District to provide service that is recorded by both CCN holders with the TCEQ.
5. Design. The District shall study the design requirements of the Applicant's required facilities prior to initiation of a Service Agreement by adopting the following schedule:
 - a. The District's consulting engineer shall design or approve all service facilities or review and approve the Applicant's design for the Applicant's requested service in accordance with the District's specifications. If the property lies within the enforced extra territorial jurisdiction of a municipality, the service facilities shall be designed to that certain City's codes and specifications.
 - b. The engineer's fees shall be paid out of the Non-Standard Service Investigation Fee. If the Applicant's services exceed the allotted fee, the Applicant shall pay the balance of engineering fees prior to commencing with the service investigation.
 - c. The engineer shall submit to the District a set of detailed plans, specifications and cost estimates for the project.
 - d. If no local authority imposes other design criteria on the Applicant's service request, the design of all facilities for any Applicant shall meet the demand for service as platted and/or requested in the plans or preliminary plat submitted in application for service. The District reserves the right to upgrade designs of service facilities to meet future demands, provided however, that the District pays the expense of such upgrading above the Applicant's facility requirements.
6. Non-Standard Service Agreement. All Applicants subject to this Section shall enter into a written Water System Service Agreement. Said Agreement shall define the terms of service prior to construction of required service facilities. Guidelines for the Service Agreement may include, but are not limited to the definition of:

- a. all costs associated with required administration, design, construction, and inspection of facilities for water service to the Applicant's service area and terms by which these costs are to be paid;
- b. procedures by which the Applicant shall accept or deny a contractor's bid, thereby committing to continue or discontinue the project;
- c. front-end Capital Contributions to defray the costs of providing and replacing the system facilities and to defray the costs of acquiring additional water which may be required because of this request for service, in addition to other costs required under this Section;
- d. monthly Service Availability Charges as applicable to the service request;
- e. terms by which reserved service shall be provided to the Applicant and duration of reserved service with respect to the impact the Applicant's service request will have upon the District's system capability to meet other service requests;
- f. terms by which the Applicant shall be reimbursed or compensated for fees duplicated in providing service;
- g. terms by which the Applicant shall be reimbursed for line extension costs when another Applicant receives service, benefiting from said line extension;
- h. terms by which the District shall administer the Applicant's project with respect to:
 - (1) Design of the Applicant's service facilities;
 - (2) Securing and qualifying bids;
 - (3) Execution of the Service 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.
- i. terms by which the Applicant shall indemnify the District from all third party claims or law suits in connection with the project contemplated including listing the District as an additional insured;

- j. terms by which the Applicant shall deed all constructed facilities to the District and by which the District shall assume operation and maintenance responsibility, including any enforcement of warranties in connection with construction of the Applicant's project;
 - k. terms by which the Applicant shall grant title or Right-of-Way Easements, constructed facilities, and facility sites and/or terms by which the Applicant shall provide for the securing of required right of ways and sites;
 - l. terms by which the Board of Directors shall review and approve the Service Agreement pursuant to current rules, regulations and District By-Laws; and
 - m. Impact Fees if applicable.
7. Property and Right of Way Acquisition. The District shall require private right of way easements on private property for the construction of water facilities according to the following conditions:
- a. If the District determines that right of way easements or facility sites outside the Applicant's property are required, the District shall require the Applicant to make good faith efforts to secure easements or title to facility sites in behalf of the District. All right of way easements and property titles shall be researched, validated, and filed by the District with the appropriate Deed Records at the expense of the Applicant.
 - b. All facilities installed in public right of way in behalf of the Applicant, due to inability to secure private right of way easements, shall be subject to costs equal to the original cost of facility installation for those facilities in public right of ways, plus the estimated cost of future relocation to private right of ways; provided, however, that funds will not be received at a later date from other sources for such relocation.
 - c. The District 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 District engineer) and proof of title to property required for other on-site facilities.
 - d. Easements and facilities sites shall be prepared for the construction of the District's pipelines and facility installations in accordance with the District's requirements and at the expense of the Applicant.
8. Bids for Construction. The District's consulting engineer shall advertise for bids for the construction of the Applicant's proposed facilities in accordance with generally accepted practices. Plans and specifications shall be made available with or without charge to prospective bidders. Although the District reserves the right to reject any bid or contractor, the District shall generally award the contract to the lowest and best bidder, in accordance with the following criteria:

- a. The Applicant shall sign the Service Agreement, noting willingness to proceed with the project and shall pay all costs in advance of construction associated with the project;
 - b. The Contractor shall provide an adequate bid bond under terms acceptable to the District;
 - c. The Contractor shall secure adequate performance and payment bonding for the project under terms acceptable to the District;
 - d. The Contractor shall supply favorable references acceptable to the District;
 - e. The Contractor shall qualify with the District as competent to complete the project; and,
 - f. The Contractor shall provide adequate certificates of insurance as required by the District.
9. Pre-Payment for Construction and Service. After the Applicant has executed the Service Agreement, the Applicant shall pay to the District all costs necessary for completion of the project prior to construction and in accordance with the terms of the Service Agreement.
10. Construction.
- a. All work involving public right of way shall be completed pursuant to applicable authority's standards 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 for the placement of water lines may be installed prior to road construction to avoid damage during construction of Applicant's facilities;
 - b. The District's employees and/or engineer shall, at the expense of the Applicant, inspect the facilities under construction to insure that District's standards are achieved;
 - c. Construction plans and specifications shall be strictly adhered to, but the District reserves the right to change-order any specifications, due to unforeseen circumstances, that will better facilitate operation of the Applicant's facility;
 - d. All change-order amounts shall be in writing and charged to and paid by the Applicant.
11. Service Within Subdivisions. The District's obligation to provide water service to any Customer located within a subdivision governed by this Section is strictly limited to the Non-Standard Service specified by the Applicant. The purchaser of any lots who does not receive service because this service has not been specified or paid for by the Applicant shall have no

recourse to the District but may have recourse to the Applicant/Developer by paying a pro-rated share of the costs for such service.

12. Water for Construction. Water needed for construction of the water mains, roads or buildings will be provided by the District through a metered connection, as a cost to the Developer, at the point of entry and as specified by the District. All water required for construction in the Subdivision will be purchased at current rates by the Developer.