

# **RULES AND REGULATIONS OF CONTINENTAL DIVIDE RANCH WATER SYSTEM**

## **ARTICLE 1. PURPOSE AND SCOPE**

- 1.1 **PURPOSE.** The purpose of these Rules and Regulations is to facilitate the efficient and quality control, administration, operation, and maintenance of the Continental Divide Ranch Water System (“Water System”).
- 1.2 **SCOPE.** These Rules and Regulations shall govern the operations of the Water System and shall be binding on all users of the Water System, their successors and assigns.
- 1.3 **PROPERTIES TO BE SERVED.** The Water System will provide potable water to Continental Divide Ranch, as described in the recorded plat in the records of the Archuleta County Clerk and Recorder. Additionally, the Water System may serve other properties which Continental Divide Ranch, LLC may from time to time contract to serve.
- 1.4 **INTENT OF CONSTRUCTION.** It is intended that these Rules and Regulations be liberally construed to effect the purpose set forth in Section 1.1. In the event of a conflict between these Rules and Regulations, and the Covenants, the Covenants shall control.

## **ARTICLE II. DEFINITIONS**

Unless the context specifically indicates otherwise, the meaning of the terms used in these Rules and Regulations shall be as follows:

- 2.1 “Company” means Continental Divide Ranch, LLC, and its successors and assigns, including its authorized agents, contractors, and employees, which is the owner of the Water System and responsible for the operation and maintenance of the Water System.
- 2.2 “Covenants” shall mean the Declaration of Covenants, Conditions and Restrictions for Continental Divide Ranch, as recorded in the Archuleta County Clerk and Recorder’s office.
- 2.3 “Distribution line” means the pipeline extending from the water main to the water meter for each home.
- 2.4 “Homeowner” means any person owning property within Continental

Divide Ranch, or other properties served by the Water System.

- 2.5 “Residential Property” means any property where the principal use of the property is for residential purposes.
- 2.6 “Service Area” shall include Continental Divide Ranch, as described in the recorded plats in the records of the Archuleta County Clerk and Recorder. Other properties which may be served, as set forth in Section 1.3 and Section 10.2, shall be considered located outside of the Service Area.
- 2.7 “Service line” means the pipeline extending from the water meter of each home to the homeowner’s building or point of use.
- 2.8 “Tap” or “Connection” means the physical connecting of the service line from the homeowner’s building or point of use to the distribution line.
- 2.9 “Tap fee” means the fee paid to the Company for the privilege of connecting a particular use to the water system. Physical tapping is not the criterion for the obligation of paying a tap fee.
- 2.10 “Water main” means a principal artery of the water system to which a distribution line may be connected.
- 2.11 “Water System” means all water wells, pumps, water mains, distribution lines, curb valves, water meters, storage facilities and any other water facilities owned and operated by Continental Divide Ranch.

### ARTICLE III. OWNERSHIP AND MANAGEMENT OF THE WATER SYSTEM.

- 3.1 OWNERSHIP OF WATER SYSTEM. The Water System is owned by the Company. If the Company, in its sole discretion, determines to convey ownership to the Continental Divide Ranch Property Owners Association (“the Association”), the Company shall provide written notice of its intent to convey the Water System to the Association, at which time the Association shall be obligated to accept conveyance of the Water System free and clear of liens and encumbrances, except for limitations appurtenant to the Water System, such as decrees, permits, contracts, and government regulations, and subject to any water service agreements with other water users. In the event the Water System is conveyed to the Association, the Association shall assume all responsibilities of the Company hereunder, including operation and maintenance of the Water System.
- 3.2 MANAGEMENT OF THE WATER SYSTEM. The Company is responsible for the operation and maintenance of the Water System. The

Company is responsible for the installation, maintenance, repair and replacement of all water wells, pumps, water mains, distribution lines, curb valves, water meters, pumping stations, storage tanks, and other facilities owned by the Company and used in conjunction with the Water System. The Company shall be responsible for the initial construction and development of the Water System. Thereafter, the costs of operations, maintenance, repairs, improvements, or reconstruction of the Water System shall be paid by the users of the Water System through water rates or special assessments. The Company is not liable or responsible for lines and facilities owned by the Homeowner. The Company shall endeavor to plan for, capitalize and build adequate capital improvements necessary to maintain the Water System in good working order.

- 3.3 LIABILITY. The Company shall endeavor to supply a continuous, quality potable water supply to the Homeowners. However, the Homeowners recognize that interruptions in service and other problems can happen for various reasons, and the Company makes no representations or warranties regarding the operation, quality, capacity, or performance of the Water System. The Company shall be excused from any liability arising from the good faith performance of its responsibilities. The Company shall not be liable for interruptions in service, problems with water quality, or conditions resulting therefrom. Further, the Company shall not be liable for events beyond its reasonable control, including drought, fires, acts of God, water shortages, senior water right calls, administration by the Division of Water Resources or other government agencies, and other circumstances.

#### ARTICLE IV. RESPONSIBILITIES OF HOMEOWNER

- 4.1 ENTER AND INSPECT. Homeowners agree that the Company, or its duly authorized agents, contractors, or employees, bearing proper credentials and identification, shall be permitted to enter on their property for the purpose of inspection, observation, measurement, sampling and testing, or for any other necessary and authorized purpose, in accordance with the provisions of these Rules and Regulations.
- 4.2 INSTALLATION OF SERVICE LINE. Homeowners shall be responsible for installing their own service lines as set forth in Section 7.3.
- 4.3 MAINTENANCE OF SERVICE LINE. Each homeowner is responsible for maintaining the entire length of their service line. The Homeowner shall immediately notify the Company of, and shall promptly repair, all leaks or breaks in the service line. If the Company knows of a break or leak in a service line it shall notify the Homeowner. The Company has the right, but not the obligation, to cut off the water supply to any defective

service line. If a Homeowner fails to repair a break or leak within ten (10) days of receiving notice from the Company, the Company shall have the right, but not the obligation, to repair such break or leak, and charge the Homeowner for all costs associated therewith.

- 4.4 CHANGE OF OWNERSHIP. The Homeowner is required to notify the Company upon change of ownership of the property.
- 4.5 DAMAGE. The Homeowners shall be responsible for any damage they cause to meters, curb stops, vaults, water lines, and other Water System facilities which are not caused by ordinary wear and tear.
- 4.6 WATER PRESSURE. The Company is not liable for damage to plumbing or other facilities of the Homeowner caused by excess water pressure, stoppage of water supply, or loss of water pressure. It is suggested that, if necessary, Homeowners install pressure reducing valves and/or airvac valves at their expense. Each Homeowner having boilers and/or other appliances on their premises dependent upon water pressure or water in pipes or a continuous supply of water shall provide at their own expense suitable safety devices to protect themselves and their property against stoppage of water supply, loss of pressure, or excess pressure.
- 4.7 ACCEPTANCE. By owning property which is to be served by the Water System, a Homeowner shall be deemed to have agreed to comply with these Rules and Regulations, as amended from time to time as set forth herein.
- 4.8 WATER SYSTEM EXCLUSIVE SOURCE OF WATER FOR IN-HOUSE USE. Except as approved in writing by the Company, the water received from the Water System shall be the only water the Homeowners use for in-house use, and there shall be no other water sources connected to the water system. In compliance with the Covenants and applicable laws and regulations, Homeowners may use exempt wells, or ditch water which may be made available to Homeowners, for other purposes such as outdoor irrigation and animal watering.
- 4.9 WATER SERVICE AGREEMENT. Prior to using any water from the Water System, Homeowners shall enter into a water service agreement with the Company. *See also* Section 14.3.
- 4.10 PONDS. Provided in-house uses are satisfied and additional water is available from the Water System (see Section 14.1), Homeowners may be allowed to use Water System water for small landscaping ponds and water features which are approved in writing by the Company. Prior to constructing any ponds with dams above the natural ground surface,

Homeowner must file a Notice of Intent to Impound with, and obtain approval of, the Division of Water Resources. Any dams used to construct permitted ponds must be considered non-jurisdictional by the Division of Water Resources, and shall not exceed ten (10) feet at the longitudinal centerline of the dam from the lowest point of ground surface to the flowline crest of the spillway. CDR has the right to inspect Homeowner's water features to ensure they are in compliance with this Agreement.

#### ARTICLE V. UNAUTHORIZED USE OF THE WATER SYSTEM

- 5.1 UNAUTHORIZED TAMPERING WITH THE SYSTEM. No person shall uncover, use, alter, disturb, or make any connection with or opening into any Water System water main, distribution line, or appurtenance without first obtaining a written permit from the Company. No person shall break, damage, destroy, uncover, deface or tamper with any portion of the Water System.
- 5.2 UNAUTHORIZED EQUIPMENT POSSESSION. It is unlawful for any person not authorized by the Company to have in his or her possession a valve shut-off key.
- 5.3 UNAUTHORIZED CONNECTIONS. Unauthorized connections include any connection to Water System's lines without prior payment of all required tap fees, without approval of a valid water service contract, or without adequate Company inspection of Homeowner installed lines. The Company may remove any unauthorized connections to the Water System, and charge the responsible party for all costs associated therewith. In its sole discretion, if the Company determines to serve any property which has connected without authorization, the Company may require an unauthorized connection fee, equal to twice the normal tap fee due.
- 5.4 UNAUTHORIZED USE OF SERVICE LINE. Except as approved in writing by the Company, the Homeowner shall not connect his service lines to any water source other than Water System facilities, including wells. The Company may immediately discontinue the Homeowner's water service in the event of any connection to such unauthorized water source.

#### ARTICLE VI. WATER TAPS and CONNECTION CHARGES

- 6.1 The Company shall establish a tap fee for connections to the Water System. The current tap fee is set forth in Appendix A. The Company, in its discretion, may increase the tap fee from time to time as it deems necessary.

- 6.2 In addition to the tap fee, the Homeowner is responsible for the payment of all equipment and construction charges related to the installation of one residential water tap/connection for each residential unit on the Homeowner's property.
- 6.3 Each tap/connection to the Water System's distribution lines shall be metered as set forth in Section VIII.
- 6.4 Water lines from any tap shall not be carried across property lines for use outside the property authorized to be served.
- 6.5 Taps shall serve only the property where the tap was originally made, and shall not be transferred to any other property.

## ARTICLE VII. WATER LINES

- 7.1 **WATER MAINS.** When service to a Homeowner's property outside the Service Area requires extension of the Water System's water mains, the Company may require the Homeowner, at his own expense, to install a water main to the specifications of the Water System, or the Company may require the Homeowner to pay for the installation of the water main by the Company. All water mains, whether installed by the Company or by a Homeowner, are the property of the Company to be used as part of the Water System, and shall be subject to these Rules and Regulations.
  - 7.1.1 **HOMEOOWNER INSTALLATION OF WATER MAINS.** If the Company requires the Homeowner to install the water main, the Company shall provide, in writing, specifications for the pipeline equipment and construction. The Company has the right to inspect the ongoing construction, and the Company must give final approval of the construction before the water main is used. The Homeowner shall dedicate the water main to the Company for use in the Water System.
- 7.2 **DISTRIBUTION LINES.** When service to a Homeowner's property outside the Service Area requires the extension of the Water System's distribution lines, the lines shall be installed by the Company or the Homeowner with the Company's approval as set forth in Section 7.1, and shall be dedicated to the Company for use in the Water System. All distribution lines, whether installed by the Company or a Homeowner, shall be owned by the Company.
- 7.3 **SERVICE LINES.** The Homeowner shall install, maintain and own their service line. The Company reserves the right to inspect service lines at

any reasonable time and to require corrections where necessary. The Company shall have an easement over Homeowners' properties for these purposes. The Company, however, shall assume no responsibility for the inspection of the service line. The service line shall meet the Company standards, which the Homeowner shall request and obtain from the Company prior to construction. The service line shall comply with all local, state and federal health laws, and applicable plumbing and other codes. The Company has the right to inspect the ongoing construction, and must give final approval of the construction before the service line is used. If the Homeowner does not comply with the Company's specification, or applicable laws, the Company may refuse to provide water service, or may discontinue water service, until the Homeowner achieves compliance. Homeowners shall maintain their service lines as set forth in Section 4.3.

#### ARTICLE VIII. WATER METERS

- 8.1 All water meters shall be installed by the Company, and billed to the Homeowner. Homeowners, in addition to tap fees and other charges, shall pay for the cost of water meters and their installation. All meters and meter pits are Company property.
- 8.2 A single meter shall serve only one residential unit or one approved commercial unit. Meter pits shall generally be located inside and adjacent to the property boundary in areas not susceptible to irrigation, drainage, or possible damage from reasonable Homeowner activities.
- 8.3 The Company may remove any water meter from the meter pit at any time the water is shut off for any reason.
- 8.4 The Company has the right to read, test, repair or replace any water meter. The Company shall have an easement over Homeowners' properties for access to water meters for these purposes. Only the Company or its authorized agents, contractors, or personnel shall be allowed access to meter pits.
- 8.5 Homeowners shall notify the Company immediately if they know or have reason to believe their water meter is operating defectively. If any meter fails to register in any period, and the Homeowner is charged based on usage, the Homeowner shall be charged based on average Homeowner usage during such period.
- 8.6 If a Homeowner complains in writing that their water meter is inaccurate, a new meter will be installed and the old one removed. If the meter is found to be accurate within accepted standards, the Homeowner will be

required to pay all costs incurred by the Company.

#### ARTICLE IX. FIRE FLOWS

- 9.1 The Company does not plan to install fire hydrants. It shall be Homeowners' responsibility to install sprinkler systems, cisterns, or other equipment which Homeowners deem necessary to provide sufficient fire flows for their homes and outbuildings.
- 9.2 The Company shall not be liable for any water or other damage resulting from the fighting of fires, or for any damage resulting from the unavailability of water.

#### ARTICLE X. APPLICATION FOR WATER SERVICE

##### 10.1 INCLUSION WITHIN THE WATER SYSTEM'S SERVICE AREA.

All properties within Continental Divide Ranch are within the Water System's Service Area.

- 10.2 SERVICE OUTSIDE THE SERVICE AREA. Upon written application of the property owner(s), the Company, in its discretion, may furnish water service to property owner(s) outside the Service Area subject to the Company's contractual obligations, water supply and delivery capability, and well permit, water decree, and other limitations. The Company's express written consent is required for the provision of water service outside the Service Area.

The Company shall determine the fees, deposits, conditions and duration of a contract for water service on a property located outside the Service Area. The Company in its discretion may charge higher tap fees and water rates for property located outside the Service Area. When the Company furnishes service to property outside the Service Area, the Company reserves the right to discontinue the service when in the Company's judgment it is in the best interest of the Company and/or the Water System to do so.

#### ARTICLE XI. DISCONTINUANCE OF WATER SERVICE

##### 11.1 TEMPORARY DISCONTINUANCE OF WATER SERVICE.

Homeowners may request a temporary discontinuance of water service for a period not to exceed six (6) months. The monthly rate in Appendix B shall be charged while the water service is discontinued. The Water System reconnect fee, as set forth in Appendix C for a requested temporary discontinuation of water service, shall be charged for the



reconnection of the water service.

- 11.2 PERMANENT DISCONTINUANCE OF WATER SERVICE. Homeowners may request a permanent discontinuance of water service. The monthly rate in Appendix B shall be charged while the water service is discontinued. The Water System's tap fee, as set forth in Appendix A shall be charged for the reconnection of the water service.
- 11.3 DISCONTINUANCE OF WATER SERVICE DUE TO DELINQUENCY IN PAYMENT. The Company shall give thirty (30) days written notice of its intention to discontinue water service because of a delinquency in payment or other violation of these Rules and Regulations, during which time the Homeowner may cure the violation and prevent discontinuance of water service. This notice shall be delivered by hand or sent by certified mail, addressed to the delinquent or violating party. If neither the owner(s) nor the occupant of the property can be located for personal service, it shall be lawful to attach the notice to the front door of the property. The Water System reconnect fee, as set forth in Appendix C for a discontinuance of water service because of a delinquency in payment or other violation, shall be charged for reconnection of the water service. The notice set forth in this section shall also be provided to any mortgagees of the Homeowner's property, provided that the Homeowner has previously provided names and addresses of such mortgagees to The Company. For any subsequent violations within one year of a previous violation for which notice under this section was provided, the Company shall only be required to provide forty-eight (48) hours written notice prior to discontinuing water service.

## ARTICLE XII. WATER SYSTEM SERVICE RATES, FEES AND BILLING PROCEDURES

- 12.1 TAP FEE. The Water System's tap fee schedule is attached as Appendix A. The tap fee does not include the cost of the material or the installation of any necessary water main or distribution line, water meter, meter pit, or any service line.
- 12.2 WATER RATE. All Water System water sales shall be metered. The water rate schedule is attached as Appendix B. Homeowners shall pay the water rate set forth in Appendix B, which shall entitle the Homeowner to use the amount of water set forth herein or in his service agreement with the Company. A homeowner's obligation to pay the water rate shall commence once a distribution line is made available to the property or subdivision to be served.

Water System water meters shall be read periodically as determined by the

Company. Water bills are payable by the due date listed on the bill. Any bills not paid within twenty (20) days of the due date shall be considered delinquent, and shall be subject to a late fee of fifty dollars (\$50.00), and shall bear interest of one and one-half percent (1.5%) per month until paid. Where the Homeowner believes the water bill is in error, the Homeowner must file, in writing, prior to the due date, a notice to the Company of the alleged error, and request a clarification. Upon the Company's review, and re-submittal and/or revision of the statement, payment shall be no later than ten (10) days from postmarked date of the resubmitted statement. Further review may be conducted pursuant to Article XIII.

The Company may terminate water service on accounts delinquent over sixty (60) days in conformity with the procedure set forth in Article XI, Section 11.3. The overdue water bill plus interest, late fees, and the reconnect fee must be paid before service is reinstated. If the Homeowner is not the property owner, the property owner shall be notified by mail at the last address left with the Company that the account is delinquent over sixty (60) days.

12.3 RECONNECT FEE. If water service is discontinued pursuant to Article XI, Section 11.3, the appropriate Water System reconnect fee will be charged as provided in Appendix C.

12.4 LIABILITY FOR PAYMENT. The Homeowner shall be liable for charges due, regardless of whether the Homeowner is the occupant of the dwelling (e.g. renters) utilizing the water service.

#### ARTICLE XIII. ADMINISTRATIVE REMEDY

The Homeowner has thirty (30) days following Company action within which to protest in writing to the Company concerning that action. The Company shall review the protest at its next regular meeting, and notify the Homeowner of its decision.

#### ARTICLE XIV. RATIONING AND WATER USE RESTRICTIONS

14.1 TYPES OF WATER USE ALLOWED: Homeowners may use water from the Water System for in-house uses within their residences, guest houses, and approved outbuildings. If additional water is available as determined by the Company, Homeowners may use water for outdoor water uses approved by the Company, which may include lawn and garden irrigation, livestock watering, and small landscaping water features. Homeowners' landscaping and water use plans shall be submitted to the Company and approved prior to construction. The Company has the right to inspect Homeowner's water uses to ensure they are in compliance with this Agreement. As additional parcels are connected to the Water System,

outdoor water uses may need to be curtailed depending on actual water use.

- 14.2 **RATIONING.** In the event that demand for water exceeds the capacity of the Water System due to drought, well problems or problems with other water system facilities, senior water right calls, administration by the Division of Water Resources or other agencies, fire, emergency, or other circumstances, the Company may restrict water usage as it deems necessary to account for such circumstances, and to ensure equal access to the available water from the Water System by all Homeowners. The Company may also restrict water usage from individual water wells on Homeowners' property as the Company deems necessary to account for any circumstances described above, and to ensure that water usage from any individual wells does not adversely impact the Water System. In the event water restrictions become necessary, in-house uses shall be given priority, and outdoor uses shall be curtailed first.
- 14.3 **COMPLIANCE WITH WATER DECREES, PERMITS, AND OTHER LAWS.** Homeowners' use of water from the Water System shall comply with all applicable laws and regulations, including water court decrees, augmentation plans and well permits. The Company shall have the authority to restrict any use which violates said laws and regulations.
- 14.4 **WATER USE.** No Homeowner shall use water without a written service agreement with the Company which may set forth the amount of water a Homeowner may use for indoor and outdoor use, and the types of uses. For all properties for which the Company supplies water for outdoor use, said service agreement may set forth the landscaping which is allowed. Homeowners shall not exceed said amounts without the written approval of the Company. Among its other remedies, the Company may impose fines for water use violations as set forth in Appendix C. Any violation or breach of a service agreement shall be considered a violation of these Rules and Regulations, for which the Company shall have all remedies available hereunder.

#### ARTICLE XV. VIOLATIONS OF THE RULES AND REGULATIONS

- 15.1 **LIABILITY.** Any person violating any of the provisions of these Rules and Regulations shall be liable to the Company for any expense, loss or damage occasioned by reason of the violation.
- 15.2 **REMEDIES.** The Company shall be entitled to any legal or equitable relief available for violations of these Rules and Regulations, including damages, and injunctive relief to cease any continuing violations.

- 15.3 COSTS AND ATTORNEY FEES. The Homeowner shall be responsible for any costs and attorney fees incurred by the Company in enforcing the terms and conditions of these Rules and Regulations.
- 15.4 DISCONTINUANCE OF WATER SERVICE. The Company may, in its discretion, discontinue water service to any Homeowner violating these rules and regulations, until such violation is cured. Notice of discontinuance shall be given, and a reconnect fee shall be paid as set forth in Section 11.3.

#### ARTICLE XVI. GENERAL

- 16.1 AMENDMENTS. The Company retains the power to amend these Rules and Regulations as the Company deems necessary to accomplish the purposes set forth in Section 1.1. The Company is not required to provide prior notice of amendments. Amendments to these Rules and Regulations may be accomplished by explicit modification or by the adoption of policies or decisions by the Company at its meetings, in which event such amendments shall be evidenced by reference to the adoption of policies or decisions in the minutes of the Company meetings.
- 16.2 VARIANCES. The Company reserves the right to grant variances to these Rules and Regulations when in its judgment the variance would be good for the Water System, in the interest of fairness to the Homeowner, or good business practice by the Company.
- 16.3 DEVELOPMENT OF ADDITIONAL WATER WELLS. The Company may drill, case and place into service additional water wells, as allowed by the Colorado Division of Water Resources, within thirty (30) feet of the 60' access and utility easements shown on the Ranch plat, for the purpose of connecting such wells to the Water System. The Company may also establish reasonable easements for the location, construction, maintenance, improvement and replacement of such wells, water lines and associated facilities.
- 16.4 FUTURE CONNECTION TO REGIONAL WATER SYSTEM OR DISTRICT. The Company, in its discretion, may authorize connection of the Water System to a regional water system or regional water district, provided the Company determines that such connection will not diminish the water flows to homeowners.
- 16.5 ASSIGNMENT. The Company may convey or assign any or all of its rights, title, interest and obligations related to the Water System to any other person or entity. In such event, the Company's successors or assigns shall assume all conveyed rights, title, interest and obligations of the

Company hereunder. For purposes of this section, “the Company” shall mean the Company or the Company’s successors or assigns.

PASSED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

CONTINENTAL DIVIDE RANCH, LLC:

By: \_\_\_\_\_  
Ron Trujillo, President of Durango Alpine Properties, Inc.,  
Manager of Continental Divide Ranch, LLC

**Appendix A**  
**Continental Divide Ranch Water System**  
**Rules and Regulations**

TAP FEE SCHEDULE  
(established the \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_)

**RESIDENTIAL TAP FEES**

The standard size tap is 5/8 inch x 3/4 inch (or as otherwise determined by the Company) and services a single dwelling unit.

SINGLE RESIDENTIAL UNIT

The Tap Fee for single family residential service where there is one meter and one tap for each residence (including one guest house), unless otherwise provided for in agreements between the Company and the Homeowner, shall be as follows:

**Standard Single Residential Service: \$25,000**

The standard tap fee allows homeowners the right to receive up to 8400 gallons per month (the estimate for in-house use), as set forth in the water rate schedule. Homeowners shall pay tap fee surcharges in the amounts set forth in the water rate schedule for the right to receive additional use above 8400 gallons per month.

The Company reserves the right to supplement, amend or change the Tap Fee Schedule.

**Appendix B**  
**Continental Divide Ranch Water System**  
**Rules and Regulations**

WATER RATE SCHEDULE  
(established the \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_)

Water rates are designed to cover all costs of operating the Water System, including but not limited to the costs of operation, management, maintenance, replacement of facilities, water engineering fees, accounting, attorney fees, inspection, insurance and regulation, and a reserve for capital improvements. Repairs or expenses which cannot be covered from existing water rates or reserves, may be funded through special assessments on all parcel owners equally.

The initial water rates and related usage amounts shall be as follows:

The base usage amount will be 8,400 gallons per month (the estimate for in-house use), and the base rate will be \$40.00 per month. There will be no additional tap fee surcharge for the right to receive the base amount.

First tier usage between 8,400 and 25,140 gallons per month costs \$100.00 per month. There will be an additional tap fee surcharge of \$5,000 for the right to receive the first tier water quantity.

Second tier usage between 25,140 and 49,140 gallons per month costs \$170.00 per month. There will be an additional tap fee surcharge of \$10,000 for the right to receive the second tier water quantity.

Third tier usage between 49,140 and 72,000 gallons per month costs \$270.00 per month. There will be an additional tap fee surcharge of \$20,000 for the right to receive the third tier water quantity.

Fourth tier usage for any usage above 72,000 gallons per month costs \$400.00 per month. Currently, homeowners cannot purchase the right to receive fourth tier water quantity. However, water use at this level may be allowed in Seller's discretion if sufficient water is available from the water system.

The above water rates are not cumulative (i.e. each tier costs only the amount stated in the tier, not the tier amount plus the amounts of the previous tiers and base rate). As an example, the second tier costs only \$170, not \$170 + the cost of the first tier and base rate. Seller may change the above rates if necessary to provide sufficient funds to cover the costs of the water system, as defined above. If the rates are changed, however, the percentage change shall be the same for all tiers of water use.

Homeowners shall pay a minimum of the base rate regardless of whether they use

less water than the allowed amount. Billing for water use beyond the base rate is based on actual usage from meter readings, or average usage when meter readings for a particular period are not available. The Company shall determine the time period for assessing rates (i.e. such as monthly, annual, or some other period). The Company reserves the right to supplement, amend or change the Water Rate Schedule.



**Appendix C**  
**The Company Water System**  
**Rules and Regulations**

SERVICE FEE SCHEDULE  
(established the \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_)

I. SERVICE AND METER INSTALLATION FEES

The Homeowner shall pay all installation costs for a service connection unless otherwise provided for in agreements between the Company and the Homeowner. Installation costs include labor, equipment, materials and special construction costs. Special construction costs include, but are not limited to, outside contractor services, road crossings, borings, main line and distribution line extensions, easement/right-of-way acquisitions, permits, sleeves, rock excavation, blasting, and extraordinary depth excavation.

DISCONNECT FEES

Homeowners may request that their water service be turned off for a period of time due to non occupancy or other reasons. A disconnect fee shall be charged to the Homeowner when such a request is made. The fee charged for service disconnection is \$100.00. Homeowners whose service is disconnected shall continue to be responsible for the base water rate as set forth in Appendix B.

RECONNECT FEES

Homeowners may request that the water service be turned on. A reconnect fee shall be charged to the Homeowner when such a request is made. The fee charged for service reconnection is \$100.00.

STANDBY FEE

Homeowners with lots where water service is available but are not utilizing water (e.g. home is not constructed) shall pay a standby fee equal to the base water rate established in Appendix B.

PENALTY FEES

Homeowners shall be assessed penalty fees for late payments on water billings. The penalty fee for late payment shall be fifty dollars (\$50.00). Additionally, Homeowners may be fined \$100.00 for each water use or other violation of these Rules and Regulations, in addition to the Company's other remedies.