

POLICIES AND PROCEDURES OF TERRACE LAKES WATER COMPANY

I. INTRODUCTION

1.1 The following Policies and Procedures are made and approved by the Board of Directors of Terrace Lakes Water Company ("Company") in accordance with all public health and safety standards.

1.2 The Policies and Procedures will at all times be subject to the Bylaws of the Company now or as amended. If the Policies and Procedures are ever in dispute with the Bylaws, the Bylaws will govern.

1.3 "Lot" shall mean a portion of Terrace Lakes Recreation Ranch units No. 1 through 13 or Timbers One which is a legally described parcel of real property or any portion designated as a Lot on any recorded subdivision plat, whether or not improved.

1.4 "Owner" shall mean the person or persons or other legal entity or entities, including Grantor, holding the fee simple interest in a Lot.

1.5 "Subscriber" shall mean any Owner of a Lot in a Subdivision. All Owners of Lots are Subscribers.

II. PURPOSE OF WATER SYSTEM POLICY AND PROCEDURES

2.1 The purpose of the Policies and Procedures are to:

- (i) Establish a set of rules to administer and operate a water system ("System") that will ensure adequate water supply to Subscribers of the Terrace Lakes Recreation Ranch Unit Nos. 1 through 13 or Timbers One ("Subdivision") that meets all public health and safety standards; and
- (ii) Document the authority of the Board of Directors of the Company to limit the amount of water use on a per home basis and to assure a sustainable long term source of water supply.

III. SYSTEM OPERATOR

3.1 A System Operator shall be appointed by the Board of Directors. The "System Operator" will be responsible for the day-to-day management and maintenance of the System.

**IV.
WATER USER**

4.1 If someone other than the Subscriber (i.e., a renter, tenant, the Subscriber's family, or any licensee, lessee, or invitee) is the beneficiary of the water use, the Subscriber shall notify the Board of Directors in writing of that user within ten (10) days of occupancy. The Subscriber will remain responsible for all obligations of use despite not being the beneficiary of the System. If a Subscriber wishes to rent their Lot, the Subscriber must apply to the Company and agree to meet all requirements and be bound by all obligations of the Bylaws and Policies and Procedures if water use is needed. The Subscriber will be held to the same standard as if they were using the water.

**V.
APPLICATION FOR CONNECTION AND SERVICE**

5.1 Connection to the System of the Company will be made by written application of the Subscriber, on forms provided by the Company, after the applicant agrees to comply with the rates, Bylaws, and Policies and Procedures of the Company, and after the approval of the application by the Company endorsed on the application. The size of the service lines, valves, meters and other fittings, fixtures, or appliances necessary to render the service for which application is made shall be determined by the Board of Directors.

5.2 On application of the Subscriber, water will be furnished through existing connections, or, on application of the Subscriber through new connections, after the Subscriber agrees to comply with the rates, Policies and Procedures, Bylaws, and after the approval of the application by the Company endorsed on such application. The application shall state:

- (a) The name of the Subscriber;
- (b) The character and extent of the service desired;
- (c) A description of the Lot, including:
 - (1) The name of the street and house number, if any;
 - (2) The number and kind of fixtures through which water will be supplied; and
 - (3) Such other information as the Company may reasonably require.

5.3 At the time of making application for connection or service, the Subscriber must make payment to the Company of the connection fees, dues, deposits, or rates, as the case may be, fixed by the Board of Directors for the service requested.

VI. BILLING

6.1 The cost for service shall be a flat rate, as determined by the Board of Directors, for each service connection that is not connected to a meter. Each metered connection will be charged a rate based on the amount of water used by the Subscriber and will be determined by the Board of Directors.

VII. RESPONSIBILITY FOR LEAKS AND REPAIRS

7.1 The Company shall be responsible for all maintenance, including leaks and repairs, of the System up to and including the valve at the lot line. The service line from the lot line valve to the connection of the Subscriber's household plumbing is the responsibility of the Subscriber .

7.2 All Subscribers shall be responsible for their individual service lines anywhere on their Lot from the lot line valve to the house and their household plumbing.

7.3 The Company shall be responsible for operation, maintenance, and repairs on all the individual booster stations. It is the responsibility of the Company to pay all costs associated with power service to each individual booster station.

7.4 For those Lots served by individual booster stations, it will be the responsibility of the Subscriber to repair all leaks on the service line from the Lot to the first shutoff valve at the booster station.

7.5 In the event of System depressurization, it is the responsibility of the Company to provide immediate notification, disinfect the System, obtain a clean bacteria sample result, and re-notify Subscribers when the water is safe to drink.

7.6 Subscribers shall be responsible for the cost of all repairs, assessments, and any capital improvements determined by the Directors, not inconsistent with the Bylaws.

VIII. COMPLAINT PROCEDURES

8.1 If at any time a Subscriber has a complaint concerning termination of service, Policies and Procedures, or any other matter regarding Company water service, the Subscriber must contact the Board of Directors in person or in writing. The complaint will be investigated by the System Operator, and, if possible, resolved promptly. The Subscriber will be notified in writing of the result of the complaint, and every effort will be made to resolve the complaint.

**IX.
INSPECTION**

9.1 All water lines, pipes, meters, and fixtures shall, at all reasonable hours, be subject to inspection by the Company or its duly authorized agents.

9.2 Subscriber access to the System or Company property will not be granted to a Subscriber unless approved by the System Operator. A Subscriber is allowed to make all necessary repairs to the portion of the line, which they are responsible for.

**X.
TERMINATION OF WATER SERVICE**

10.1 With proper notification, the Board of Directors shall have the authority to terminate or suspend service if:

- (1) The Subscriber denies or willfully prevents the Company's access to water facilities or equipment;
- (2) The Subscriber violates the Policies and Procedures or Bylaws of the Company concerning water use;
- (3) The Subscriber fails to repair leaks for which the Lot Owner is responsible in a timely manner;
- (4) The Subscriber disposes or sells the Subscriber's interest in the Lot;
- (5) The Subscriber defaults in payment of any dues, fees, assessments, or other obligations as required by these Bylaws;
- (6) The Board of Directors deems it necessary to prevent a violation of local, state or federal health codes; or
- (7) The Subscriber bypasses or steals water from the System.

10.2 The Subscriber will at any time allow the System Operator or his designee to enter the Lot to see if water is available in dwelling after it has been shutoff for any reason. If the Subscriber is found to be stealing water, they will be prosecuted.

10.3 If termination or suspension of a Member's status or use of water occurs, that Member shall have the right to a hearing in front of the Board of Directors within thirty (30) days after a termination or suspension of service.

**XI.
NOTIFICATION**

11.1 The Board of Directors shall notify, by written notice within 14 days of violation, the Subscriber of any violation, assessment, and/or termination of services related to such violation.

**XII.
RESPONSIBILITY FOR WATER SUPPLY**

12.1 The Company shall not be liable for a System deficiency or failure of the supply of water whether by shutting off the water to make repairs or connections or for any cause beyond its control.

12.2 The Company shall not be responsible for damage such as the breaking of any pipe, valve, water heater, internal plumbing fixture or any other personal property damage resulting from operating the System or any other cause beyond its reasonable control.

**ARTICLE XIII.
WATER USE CONSUMPTION LIMITS**

13.1 The Company's Board of Directors can change the per Lot water consumption limits at any time to assure a reliable water supply to all Subscribers.

13.2 Any change to the water use limits must be conveyed through a written notification and must be mailed by certified mail to all Subscribers requiring an acknowledgment of receipt. Each notice shall be delivered thirty (30) days prior to the change in water use limits.

13.3 Unless metered, a water service connection is limited to a total usage of 250 gallons per day, and no water may be used outside of any home or building on a Lot.

13.4 Metered connections shall not be restricted to outdoor or indoor use. However, metered connections are subject to a rate to be determined by the Board of Directors.

13.4 To assure adequate power of enforcement to the System Operator, no trading of water between Subscribers will be allowed.

13.5 Subscribers who exceed the water consumption limits as determined by the System Operator will be subject to a higher rate schedule or assessments until a meter can be installed. The rate schedule or assessment will be determined by the Board of Directors.

13.6 Routine non-compliance of these Policies and Procedures or the Bylaws is grounds for disconnection in accordance with the Company's Policies and Procedures and Bylaws.

XIV. METERS

14.1 Meters shall be furnished by the Company and shall remain the property of the Company, remain accessible, and subject to its control. Meters shall be conveniently located at a point approved by the Company so as to control the entire supply of water.

14.2 Where water is being furnished at a flat rate, the Company may install, maintain, and inspect a meter to determine the quantity being supplied and/or being used. The Company may continue the use of the meter, and furnish water to the Subscriber. The Subscriber shall thereafter pay the fees associated with metered connections. The Company also reserves the right to change from flat rate service to meter service at any time, for any Subscriber.

14.3 Meters will be maintained by the Company, so far as ordinary wear and tear are concerned. However, when a meter located inside a building or cellar is damaged by freezing or hot water or any other external cause, the Subscriber shall pay the cost for such damage. The Subscriber shall notify the Company of any damage to or the malfunction of a meter as soon as the damage or malfunction comes to the Subscriber's knowledge.

14.4 When water use is furnished by meter, the quantity recorded by the meter shall be conclusive on both the Subscriber and the Company, except when the meter has been found to be registering inaccurately or has ceased to register. In the latter case, the quantity may be determined by the average registration of the meter when in order.

14.5 In case of a disputed account involving the accuracy of a meter, such meter shall be tested on request of the Subscriber in conformity with the provisions of the rules and regulations pertaining to the water service utilities of the Company. If the meter so tested is found to have an error in registration of 5 % or more, the bills will be increased or decreased accordingly.

XV. RESERVE FOR EMERGENCY

15.1 The Company may reserve a sufficient supply of water at all times in its reservoirs to provide for fires and other emergencies, or may restrict or regulate the quantity of water used by Subscribers in case of scarcity, or whenever the welfare of the Subscribers may require it. In case of publicly declared drought or extreme scarcity, or whenever the welfare of the Subscribers may require it, no street or lawn sprinkling or washing of private vehicles with potable water shall be permitted. In less extreme circumstances, when the water supply is determined by the Board of Directors or System Operator to be seriously below normal, no street or lawn sprinkling or washing of private vehicles with potable water shall be done by Subscribers until the Board of Directors determines the water supply is no longer below normal.

The Company shall have the authority to make the determinations as to the extent to such emergencies, which determination shall prevail unless contradicted by the State Public Utilities Commission.

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15.2 The Board of Director's authority includes the ability to restrict outside water use to certain days.

XVI. RENEWAL OF SERVICE

16.1 When service has been discontinued or suspended, the Company will renew service on proper application, when conditions under which the service was discontinued are corrected, and on payment of all charges provided in the schedule of rates as determined by the Board of Directors. A Subscriber whose service has been disconnected at one residence or place of business may not have service renewed at another residence or place of business until all demands of the Company for water furnished have been paid or otherwise satisfied and the Company's Policies and Procedures and Bylaws complied with.

16.2 Application made by a person who is not the Subscriber but a beneficiary of the System will not be allowed. The Subscriber must apply and agree to be bound by all the requirements of these Policies and Procedures and the Bylaws, if the Lot is to be supplied with water.

16.3 Where water has been turned off for non-payment of a bill, or for any other reason as determined by the Board of Directors, it shall not be turned on again until the Subscriber has paid all fees associated with turning the water on as fixed in the schedule of rates as provided by the Company. The Board of Directors shall have the authority to assess a fee for turning off water at the request of a Subscriber due to repairs on the Lot or to report a vacation or misuse.

XVII. TERMS OF PAYMENT

17.1 All fees for meter rates and flat rates may be paid in installment payments as determined by the Board of Directors.

XVIII. CHANGES TO POLICIES AND PROCEDURES

18.1 Any modifications to the Policies and Procedures, contained herein, must be adopted by 75% of all Subscribers in accordance with the Company's Bylaws or by a majority vote of the Board of Directors.

January 26, 2010
Steve Johnson, Pres.