

RUBY RANCH WATER SUPPLY CORPORATION
TARIFF
APPENDIX B

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RULES AND REGULATIONS CONCERNING RUBY RANCH'S SERVICE TO SUBDIVISIONS

I. Purpose

The purpose of this policy is to establish the terms and conditions under which Ruby Ranch will provide water for Subdivisions, additions to Subdivisions, or developments where service to one or more tracts is requested. The President or Secretary of Ruby Ranch shall act on behalf of the Board to implement this policy.

II. Definitions

- A. “Ruby Ranch” means the Ruby Ranch Water Supply Corporation, as represented by its Board of Directors.
- B. “Ruby Ranch's Engineer” means a person or firm licensed by the State of Texas and engaged by Ruby Ranch to provide engineering consulting services to Ruby Ranch.
- C. “Ruby Ranch's System” means Ruby Ranch's Production and Storage Facilities and Ruby Ranch's General Purpose Transmission Facilities.
- D. “Board of Directors” or “Board” means the duly elected members of the Board of Directors of Ruby Ranch Water Supply Corporation.
- E. “Cost of Construction” means all expenses associated with erecting and placing a facility into operation including, but not limited to, planning, engineering, clearing, surveying, legal, land acquisition, easement acquisition, the construction contract, and the like.
- F. “Developer” means an individual, partnership, corporation, or other legal entity that has subdivided land or desires to subdivide land or requests more than two water service connections on a single contiguous tract of land.
- G. “Developer Project” or “Project” means the construction of water service facilities by a developer to serve a Subdivision owned or controlled by the developer, which facilities will be deeded to Ruby Ranch.
- H. “General Purpose Transmission Facilities” means those pumps, filters, lines, chlorination units, and the like, which are designed to provide water service to more than one Subdivision.
- I. “Internal Water Distribution Lines” means the water lines and related equipment necessary to convey water from General Purpose Transmission Facilities to provide water service to individual lots in a Subdivision.

- J. “Production and Storage Facilities” means the equipment, structures, and appurtenances necessary to produce and store water for delivery to General Purpose Transmission Facilities.
- K. “Service Area” means that area to which Ruby Ranch may lawfully provide water service, whether within or without the area described by the Certificate of Convenience and Necessity held by Ruby Ranch.
- L. “Subdivision” means the division of any lot, tract, or parcel of land, within the Service Area of Ruby Ranch, into two or more lots or sites for the purpose of sale or development, whether immediate or future, including Re-Subdivision of land for which a plat has been filed and recorded. The following are exempted from this definition: Legal Divisions of land resulting from a family or testamentary transfer of a parcel of land having an area of two (2) acres or more, which will not require Ruby Ranch to construct new water lines and which may be accessed by existing water lines which meet Texas Commission on Environmental Quality requirements to service the additional meters. The term "family" includes only the grantor's spouse, parents, children, grandparents, grandchildren, or siblings. Provided, however, this exemption shall not apply to an *inter vivos* family transfer that constitutes a Subdivision of land for sale to the public.

III. Subdivision Feasibility Study

- A. Upon submission of the information and payment of the fees specified in this section, any person (the "Developer") may file a written request that Ruby Ranch perform a Feasibility Study, as contemplated in section 2.13 of the tariff, for any tract of land within Ruby Ranch's Service Area to determine if there exists sufficient capacity in Ruby Ranch's System to serve a Subdivision proposed to be located on the tract of land, or if a need exists for an expansion to the capacity of the Production and Storage or General Purpose Transmission Facilities, or a combination of both, to serve the proposed Subdivision. Each request for a Subdivision Feasibility Study shall include the following:
 - 1. A map or plat showing the proposed Subdivision, its proximity to Ruby Ranch's existing General Purpose Transmission Facilities, and those improvements necessary to connect such facilities. The map or plat must show the legal description and the dimensions of the lots or tracts that result from the Subdivision of the property. The map or plat, and any revisions, amendments, or supplements thereto, must be signed and sealed by a licensed surveyor or registered professional engineer.
 - 2. The intended land use of the Subdivision, including detailed information concerning the types of land uses proposed.

3. The ultimate projected water demand of the Subdivision, anticipated water demands for each type of land use, and a projected growth schedule tied to the demand for water.
4. A proposed calendar of events, including design, plat approval, construction phasing and initial occupancy, and the approximate date upon which service from Ruby Ranch will first be needed.

Because of factors such as the size of the Subdivision or unique topographic features, after initial review of the request Ruby Ranch's Engineer may determine that additional information will facilitate evaluating the proposed Project. The Developer shall submit such additional information as specified by Ruby Ranch's Engineer on a case by case basis.

- B. All requests for a Subdivision Feasibility Study shall be accompanied by a non-refundable fee according to the schedule established in 2.13 of the tariff. This fee shall be paid at the time the request is filed. This fee will be used to compensate Ruby Ranch for expenses incurred in reviewing such requests, including, but not limited to, engineering, legal, and the like.
- C. The request for a Subdivision Feasibility Study will be submitted by the President or Secretary to Ruby Ranch's Engineer for review and evaluation. Under normal circumstances and where sufficient information is submitted with the request, Ruby Ranch's Engineer will complete the Feasibility Study and provide a report within thirty (30) days of Ruby Ranch's receipt of the request and payment of the required fee. A copy of the report produced by Ruby Ranch's Engineer will be provided to the Developer requesting the Feasibility Study. The report produced by Ruby Ranch's Engineer should include an estimate of the cost of providing water service to the proposed Subdivision based on current material and labor prices and preliminary site and engineering information.

When possible, meters should not be placed in locations where they may be subjected to vehicular traffic, such as a meter placed under a driveway providing access to a dwelling. If a Developer desires that one or more meters be placed in a location where, in the opinion of Ruby Ranch's Engineer, the meter(s) may reasonably be subjected to vehicular traffic of any sort, then the report produced by Ruby Ranch's Engineer will also include an estimate of the cost to Developer of providing one or more meter boxes designed and constructed to minimize the likelihood of damage to the meter resulting from said vehicular traffic.

- D. At the next Board of Directors meeting following thirty (30) days from Ruby Ranch's receipt of its Engineer's report, the request for Feasibility Study and the Engineer's report shall be submitted to the Board of Directors for its consideration. If the Board of Directors determines that providing water service to the proposed Subdivision appears feasible, the Board shall adopt a resolution indicating Ruby

Ranch's ability to provide water services to the Subdivision and setting forth any special terms and conditions to such service, and Ruby Ranch's President or Secretary shall provide the Developer a written estimate of the cost and charges for providing water service to the proposed Subdivision, which may set forth any special terms and conditions to such service. The Developer's share of the cost to construct the facilities necessary to provide water service to the proposed Subdivision will be determined at the time Ruby Ranch receives quotations from contractors based on final detail design.

- E. After the Board of Directors has determined that service is feasible, but prior to start of construction, the Developer must enter into a contract (the "Reserved Capacity Agreement") with Ruby Ranch which defines the terms of service, and such terms of service shall be consistent with the policy stated herein and with the Board Resolution recognizing feasibility of water service to the Subdivision. The Board may authorize Ruby Ranch's President or Secretary to execute the Reserved Capacity Agreement on its behalf. The Developer must pay the expenses, such as attorney's fees, incurred by Ruby Ranch in negotiating and drafting the Reserved Capacity Agreement to provide water service to the Subdivision. The Developer must pay Ruby Ranch a deposit of funds to cover such expenses prior to the drafting of the Reserved Capacity Agreement. If there is a surplus of funds after payment is made to cover all such expenses, then Ruby Ranch will refund the amount of surplus funds to Developer. If the deposit of funds is insufficient to cover such expenses, then Developer shall immediately pay Ruby Ranch additional funds in the amount of the balance.
- F. A determination that providing water service to a proposed Subdivision appears feasible does not reserve capacity for use with the proposed Subdivision. Uncommitted water supply capacity that exists in Ruby Ranch's System is available on a first come, first served basis and may be reserved only in accordance with Section V herein. Developer shall not have any rights to water supply capacity until after the Reserved Capacity Agreement is fully executed.

IV. Holding Existing Water Supply Capacity to Facilitate a Real Estate Closing

- A. Ruby Ranch recognizes that a developer may desire to determine the feasibility of providing water supply to a proposed Project prior to the purchase of the property. When a request for a Feasibility Study has been submitted by a Developer who does not own the subject property and service to the property has been determined to be feasible, the subject capacity may be held for the Project until the next regularly scheduled meeting of the Board of Directors. Existing water supply capacity may be held for a proposed Subdivision for a period of one hundred twenty (120) days by payment of the greater of two thousand five hundred dollars (\$2500.00) or ten percent (10%) of the total capacity reservation fee, which payment shall be nonrefundable. A request to hold capacity must be written and hand delivered or sent by certified mail to Ruby Ranch's President or Secretary accompanied by the

appropriate fee. The request to hold capacity must be received by Ruby Ranch within thirty (30) days after the date of the meeting of the Board of Directors at which service to the proposed Subdivision is determined to be feasible.

- B. In order to maintain the right to utilize the capacity held under Subsection IV.A, the Developer must execute the contract required under Subsection III. E and pay in full the capacity reservation fees required under Section V, prior to the expiration of the holding period. The capacity reservation fees shall be payable in the form of a Cashier's Check or other form of payment approved by the Board of Directors or Ruby Ranch's President or Secretary. If all requirements of this subsection are not satisfied, any capacity held for the Project shall revert to first come, first served availability.

V. Reserving Capacity in Ruby Ranch's System

Except as allowed by Section VIII of these Rules and Regulations, Ruby Ranch will not provide water service to a lot in a Subdivision unless the Developer has reserved capacity for the requested connection under this Section pursuant to Section 2.01 of Ruby Ranch's Tariff.

A. Reserving Existing Production and Storage Capacity

In order to reserve then currently available existing capacity for, the Developer shall:

1. Pay Ruby Ranch a capacity reservation fee in the amount of one thousand dollars (\$1,000.00) for each proposed dwelling unit as defined in the Tariff or LUE. This fee compensates Ruby Ranch for its investment in the water production, storage and transmission facilities which the new customer will utilize when connected to the System. The capacity reservation fee is collected as an advance payment on this cost to compensate Ruby Ranch for its commitment to set aside capacity for a particular Subdivision while planning, development, and build out of the Subdivision occurs. Each commercial user shall have its own meter. The commercial capacity reservation fee shall be calculated by calculating the ratio of the water demand needed by the commercial customer to the water demand for a single family residential customer, and then multiplying the then current single family capacity reservation fee times the ratio derived above. Provided, however, that the cost of a commercial capacity reservation fee shall never be less than the single family residential capacity reservation fee. This fee shall be payable in the form of a Cashier's Check or other form of payment approved by the Board of Directors at the time the contract is executed reserving the capacity to the Developer; provided, however, if the Developer enters a contract with Ruby Ranch that obligates the Developer to pay for the construction of improvements to Ruby Ranch's General Purpose Transmission Facilities having an estimated cost of five hundred thousand

dollars (\$500,000.00) or more as determined by Ruby Ranch's Engineer (including engineering, clearing, and surveying but excluding legal fees, capacity reservation fees and the cost of Internal Water Distribution Lines), then Developer may elect to acquire capacity on a first right of refusal basis and pay capacity reservation fees in installments in accordance with the terms and conditions provided by Section V.F of these Rules and Regulations.

2. Pay the full cost of construction necessary to provide service from Ruby Ranch's existing General Purpose Transmission Facilities to the individual customers to be located in the Subdivision. Developer shall pay Ruby Ranch the full amount of the construction costs within ten (10) days after Ruby Ranch awards the contract for the construction of the improvements. These costs shall be payable in the form of a Cashiers Check or other form of payment approved by the Board of Directors or Ruby Ranch's President or Secretary.
3. Deed all facilities constructed under this Paragraph to Ruby Ranch together with all easements in which the facilities are located.

B. Reserving New Production and Storage Capacity

If it is necessary for Ruby Ranch to add capacity to Ruby Ranch's System before Ruby Ranch can adequately serve the Subdivision proposed by the Developer, the following requirements shall apply:

1. The Developer shall pay the full cost of construction necessary to provide service from Ruby Ranch's existing General Purpose Transmission Facilities to the individual customers to be located in the Subdivision.
2. The Developer shall pay the greater of (i) a capacity reservation fee in the amount of one thousand dollars (\$1,000.00) for each single family residential customer (or equivalent as described in Section V.A.1 above), or (ii) all construction costs necessary to upgrade that portion of Ruby Ranch's Production and Storage Facilities to meet the needs of the Developer's requested service.
3. The design of all improvements to Ruby Ranch's System shall be accomplished by Ruby Ranch's Engineer and the construction of such improvements shall be done by Ruby Ranch or Ruby Ranch's agents. The cost of all such improvements shall be borne by the Developer in accordance with Subsections V.B.1 and V.B.2 above. Developer shall pay Ruby Ranch the full amount of the construction costs within ten (10) days after Ruby Ranch awards the contract for the construction of the improvements. These costs shall be payable in the form of a Cashiers Check or other form of

payment approved by the Board of Directors or Ruby Ranch's President or Secretary.

4. The Developer shall convey all facilities constructed under this Paragraph to Ruby Ranch together with all easements in which the facilities are located.

C. Reserved Capacity Agreements

All agreements reserving capacity in Ruby Ranch's System shall be subject to the terms of the Ruby Ranch Water Supply Corporation's Rules and Regulations, including the Tariff on file with the Texas Commission on Environmental Quality the date the capacity is reserved. All agreements reserving capacity in Ruby Ranch's System shall also be subject to all future amendments or modifications of the Rules and Regulations and the Tariff. In the event the terms of a reserved capacity agreement conflict with the Rules and Regulations and the Tariff, the Rules and Regulations and the Tariff shall control. All agreements shall be for a term of five years and shall require that the internal distribution system be constructed and adopted by Ruby Ranch and individual meters be set for each lot within such five (5) year term. Otherwise, any capacity reserved by Developer shall revert back to Ruby Ranch and Developer, or any subsequent owner of the property, must pay Ruby Ranch's then applicable capacity reservation fee or capital replacement fee to obtain service.

D. Construction of Developer Project Required to Establish Availability of Water Service to Individual Lots.

The reservation of capacity for a Subdivision means that water supply is available at a boundary of the Subdivision, and does not mean that water service is available at a particular lot or that Ruby Ranch will set a meter at a lot upon request by the owner of the lot. Ruby Ranch will not indicate on a plat of a Subdivision filed in county records that water is available for a Subdivision until: (1) Developer has completed construction of all water lines and facilities necessary to provide water service to individual lots in the Subdivision; or (2) Developer has provided financial assurance guaranteeing that all water lines and facilities necessary to provide water service to individual lots in the Subdivision will be constructed in a timely manner and in accordance with the plans and specifications approved by Ruby Ranch's Engineer. In the event that financial assurance is provided, the deadline for completion of construction will be determined on a case by case basis, but the deadline for completion of construction shall in no event be more than two (2) years after the date that the filed plat is signed by Ruby Ranch's representative. Upon request, Ruby Ranch will provide examples of a construction bond or irrevocable letter of credit that are acceptable to Ruby Ranch to assure construction of the Developer's Project.

E. Installment Payment of Capacity Reservation Fees

A Developer that enters a contract with Ruby Ranch that obligates the Developer to pay for the construction of improvements to Ruby Ranch's General Purpose Transmission Facilities having an estimated cost of five hundred thousand dollars (\$500,000.00) or more as determined by Ruby Ranch's Engineer (excluding capacity reservation fees and Internal Water Distribution Lines) may elect to acquire capacity on a first right of refusal basis, subject to competing requests as provided below, and pay capacity reservation fees for a Project in six (6) installments.

Each installment payment shall be substantially of an equal amount allowing for rounding up to an exact multiple of one thousand dollars (1,000.00) so that capacity for fractional lots is avoided.

The first installment payment shall be paid at the time the agreement between Ruby Ranch and the Developer to construct the General Purpose Transmission Facilities is executed. The land to be served by the capacity reserved by the payment of the first installment payment shall be identified by metes and bounds or lot and block number in the agreement to construct facilities.

Each succeeding installment payment shall be paid by Developer annually on or before the anniversary of the date that the Reserved Capacity Agreement is executed. Developer's liability for payment of standby charges under Section VI of these Rules and Regulations for each installment of capacity will begin to accrue on the earlier of the first day of January or the first day of July following the date of the installment payment.

At any time after an installment payment is made and provided that the capacity has not been forfeited under Section VI of these Rules and Regulations, the Developer may specify the tract of land for which the corresponding capacity is reserved. The land must have a location and elevation such that, pursuant to good engineering practices as determined by Ruby Ranch's Engineer, it may reasonably be served by use of the General Purpose Transmission Facilities that were constructed with funds contributed by the Developer. Once water supply capacity has been allocated to a particular tract of land and Ruby Ranch has indicated on a filed plat that water service is available to the land, the water supply capacity shall not be transferred to other land.

If the Developer fails to make an installment payment by the due date, all capacity that has not been paid for, but is held for the Project on a first right of refusal basis, including that which would be paid for in future annual installments, shall revert to first come, first served availability. The installment agreement shall contain a provision that places the developer on notice of this requirement, and no additional notices shall be given.

Provided that water supply capacity has not been allocated to a particular tract of land for which Ruby Ranch has indicated on a filed plat that water service is available, any Developer that has contributed funds for the construction of specific General Purpose Transmission Facilities may submit a written request to assign to another party the full amount of capacity that corresponds to one or more installment payments for use in serving any land which, pursuant to good engineering practices, has a location and elevation such that it may reasonably be served by the General Purpose Transmission Facilities that were constructed with funds contributed by the Developer. Ruby Ranch's Engineer shall review the written request to determine whether serving the land is feasible and make a recommendation to Ruby Ranch's Board of Directors concerning the request. The granting of the request shall be subject to the discretion of Ruby Ranch's Board of Directors. If approved by the Board of Directors, the rights and obligations of the Developer at the time of the request shall transfer to the assignee. For example, if the Developer holds a first right of refusal for the assigned capacity, then the assignee will obtain a first right of refusal for the same amount of capacity subject to the scheduled installment payments and subject to competing service requests.

After the capacity created by oversizing of General Purpose Transmission Facilities has been consumed by actual connections or reserved for Subdivisions, any capacity that is held on a first right of refusal basis will be subject to competing service requests.

A person or entity that seeks to obtain all or part of the capacity that is held on a first right of refusal basis for a Project under this Section shall be required to deposit the full amount of the capacity reservation fees for the amount of capacity sought to be acquired. The capacity reservation fee deposit shall be in the form of a Cashier's Check or other form of payment approved by the Board of Directors or Ruby Ranch's President or Secretary.

After receipt of the deposit, Ruby Ranch will provide the Developer, who has a claim to water in Ruby Ranch's System under an installment payment agreement, written notice that a competing request has been received for capacity that is held for the Project on a first right of refusal basis. The submittal of a deposit for a competing request to purchase capacity held for a Project shall accelerate the due date of all remaining installment payments such that the Developer shall have twenty (20) days after receipt of the written notice to make full payment of the total amount of all installment payments that have not been previously paid. To the extent that

the Developer fails to exercise its first right of refusal and make the required accelerated payments, the available capacity may be allocated to the competing request and reserved for the person or entity that has paid the deposit.

In the event an extension of Ruby Ranch's General Purpose Facilities is undertaken pursuant to a contract with two or more developers, the rights, privileges, and obligations of each as it relates to installment payment agreements and rights of first refusal shall be set out in a joint agreement executed by all parties.

This section shall not apply to amounts required to be paid by the Developer for the cost of Production and Storage Facilities under Section V.B of these Rules and Regulations.

F. One Time Eligibility for Refund of Capacity Reservation Fees

A Developer who has paid capacity reservation fees but has not received approval of the Subdivision plat from a local governmental entity having jurisdiction and authority to approve Subdivision plats in the area in which the Subdivision is proposed to be located, may request a refund of capacity reservation fees, less any costs and expenses incurred by Ruby Ranch in connection with the proposed Subdivision provided the following additional conditions are satisfied:

1. Not more than ninety (90) days have elapsed since the date the capacity reservation fees were paid to Ruby Ranch;
2. The Developer has not received a previous refund of capacity reservation fees in connection with the land on which the Subdivision is proposed to be located; and
3. No plat has been filed of record indicating that Ruby Ranch will provide service to the proposed Subdivision.
4. Developer has executed a termination of the Reserve Capacity Contract and all preceding agreements.

The President or Secretary shall determine the Developer's eligibility for a refund and the amount of refund to be made, if any. Any plat bearing an original signature showing Ruby Ranch's commitment for service to a Subdivision must be returned to Ruby Ranch with the request for a refund. The ninety (90) day deadline for requesting a refund may be extended for a period of thirty (30) days for good cause by action of the Board of Directors. A request for the extension that states the grounds for good cause must be submitted to Ruby Ranch no less than seven days prior to the last Board of Directors meeting that is held within the ninety (90) day period.

VI. Stand-by Charges

- A. Ruby Ranch has costs associated with the operation and maintenance of its System when capacity is reserved for Subdivision. Therefore, when Subdivision has water supply capacity reserved for it, a stand-by charge of \$10.00 per month shall be assessed for each LUE.
- B. Subject to the provisions of Section VII below, if the Developer has reserved capacity in accordance with Section V, the Developer shall be obligated to pay Ruby Ranch's monthly stand-by charge for water service for each unit capacity fee in accordance with the schedule set out in Paragraph C, below. Failure to pay stand-by charges shall result in the loss of reserved capacity to the lot(s). In the event the Developer notifies Ruby Ranch within thirty (30) days following the anniversary date of the contract between Ruby Ranch and the Developer that the Developer will not pay the minimum monthly stand-by charge for water for the next year in accordance with the schedule listed below, the reserve capacity for that year shall revert to Ruby Ranch. Failure to give Ruby Ranch this notice and failure to pay the minimum monthly stand-by charge in Paragraph C, below, shall void any further obligation by Ruby Ranch to provide capacity under the contract other than the capacity vested at the time of default. Ruby Ranch's Engineer shall not approve the plans and specifications for any Developer Project, which exceeds the then remaining capacity reserved by the Developer.
- C. The Developer shall be obligated to make the monthly stand-by charge under the following schedule:

<u>YEAR FROM DATE CAPACITY RESERVED</u>	<u>CUMULATIVE PERCENTAGE OF CONTRACTED RESERVED CAPACITY SUBJECT TO STAND-BY CHARGE TO BECOME PAYABLE EACH YEAR</u>
1	20
2	40
3	60
4	80
5	100
TOTAL: 5 Years From Date Capacity Reserved	100% of the Capacity Reserved

For example, at the end of three (3) years, in order to continue to reserve capacity, the number of stand-by fees paid must equal sixty percent (60%) of the reserved capacity.

VII. Vesting of Reserved Capacity by Construction and Installation of Internal Water Distribution Lines

- A. To the extent the reserved capacity for a Subdivision has not been forfeited for failure to pay stand-by charges or for failure to comply with the obligations under the contract required by Section III.E of this policy, a Developer can exempt all or part of a Subdivision from the requirement for further payment of stand-by charges and vest the reserved capacity for such portion of the Subdivision if the Developer completes all of the following tasks:
1. obtains a final approved plat from the county (or counties) or municipal government having jurisdiction over the Subdivision;
 2. completes construction and installation, in accordance with plans and specifications approved by the TCEQ and Ruby Ranch, of all water lines and related equipment necessary to provide water service to individual lots in the portions of the Subdivision sought to be exempted from payment of stand-by charges; and
 3. Provides Ruby Ranch access to the water lines and related equipment necessary to provide water service to individual lots, by means such as roads, easements, or rights-of-way.
- B. At the time of completion of construction of water lines and related equipment, the Developer shall submit a written request that designates the percentage of reserved capacity and the portions of the Subdivision sought to be exempted from payment of stand-by charges. After review of the request and inspection of the Subdivision, Ruby Ranch will advise the Developer of the portions of the Subdivision for which capacity is vested and further payment of stand-by charges is not required. The liability for payment of stand-by charges and forfeiture of reserved capacity shall continue to apply to all the portions of the Subdivision which have not been exempted under this section; provided, however, if a portion of the capacity reserved for a Subdivision becomes vested under the provisions of this section, the Developer shall receive a credit in a corresponding percentage amount for purposes of the capacity forfeiture schedule contained in Section VI.C of these rules and regulations, as though Developer was paying the required standby fees for the vested lots. For example, if Developer vests a portion of reserved capacity during year one (1) of the capacity forfeiture schedule, by platting and installing water lines for twenty percent (20%) of the lots for which capacity has been reserved, then no standby fees will be owed by the Developer until the start of year five (5) of the capacity forfeiture schedule.

VIII. Obtaining Water Service in Small Subdivisions Containing No More than Four Lots or Parcels

This section applies to an application for setting a meter and providing water service to a lot or parcel of land where the lot or parcel results from subdividing a tract of land into four (4) or less lots or parcels, and where the developer has not complied with the requirements of

these Rules and Regulations Concerning Ruby Ranch's Service to Subdivisions. Subject to availability of water supply capacity in Ruby Ranch's System, an applicant, other than the developer, may obtain service to a single lawfully platted lot or a single lawfully subdivided parcel by payment of the membership fee, the applicable meter installation and capital replacement fees, and the capacity reservation fee required by Section V.A of these Rules and Regulations. Additionally, if an extension of Ruby Ranch's water supply lines is necessary to provide water service to the lot or parcel, the applicant must pay all costs which the developer would have been required to pay to receive service, including but without limitation, those costs to extend Ruby Ranch's General Purpose Transmission Facilities and the cost of materials and installation of an adequately sized water line to deliver water to the lot or parcel, which in no case shall be smaller than a four (4) inch line.

IX. Construction

A. A final plat and water facilities plan must be submitted to Ruby Ranch and approved by Ruby Ranch's Engineer before construction of the Developer Project commences. The plan shall include the plans and specifications (construction drawings) of the improvements to be located within the Subdivision, a description of the rights-of-way in the Subdivision in which the facilities will be constructed, and a description of all rights-of-way outside the Subdivision which will be necessary to connect the Subdivision to Ruby Ranch's General Purpose Transmission Facilities. This plat and plan must be approved, as appropriate, by:

1. The appropriate County Commissioner's Court;
2. The governing body of any city within whose corporate or extraterritorial jurisdiction the project lies; and
3. Any other person or political subdivision whose approval will be required before Ruby Ranch can provide the service contemplated by the Developer's request.

B. Easements

1. Easements for Approach Main

Before construction of the Project is begun, the Developer shall dedicate to Ruby Ranch, or pay the cost of acquiring, title to a fifteen (15) foot permanent easement and an adjacent fifteen (15) foot temporary workspace easement, which easements shall run from Ruby Ranch's existing General Purpose Transmission Facilities to the Developer's Subdivision. The fifteen (15) foot permanent easement shall include exclusive easement rights to a five (5) foot wide strip of land, the center line of which shall be defined as the center line of the water line as installed.

2. Easements for Internal Water Distribution Lines

The Developer shall dedicate to Ruby Ranch all easements within the Subdivision necessary for water line construction within the Subdivision and shall dedicate such additional easements as are necessary where a deviation from dedicated utility easements is deemed necessary by Ruby Ranch. In locations where the applicable county commissioner's court or municipal governing body has approved specific utility location assignments within public utility easements (PUE), internal water distribution lines shall be installed within the PUE at the location assigned for water utility service. Where specific utility location assignments are not applicable, every easement for water lines within the Subdivision shall have a minimum width of fifteen (15) feet. All water line easements shall be shown on the final recorded plat of the Subdivision.

3. Boundary Easements

The Developer shall dedicate to Ruby Ranch title to a fifteen (15) foot permanent easement and an adjacent fifteen (15) foot temporary workspace easement along all roads and highways adjoining the Subdivision for future water line construction. The fifteen (15) foot permanent easement shall include exclusive easement rights to a five (5) foot wide strip of land, the center line of which shall be defined as the center line of the water line as installed.

4. Clearing of Easements

The Developer shall, at Developer's sole expense, clear and remove all debris from the entire width of: (1) all easements which run from Ruby Ranch's existing General Purpose Transmission Facilities to the Developer's Subdivision; (2) all easements within the Subdivision necessary for water line construction within the Subdivision; (3) all additional easements necessary where a deviation from dedicated utility easements is deemed necessary by Ruby Ranch; and (4) all public utility easements, if an applicable County Commissioner's Court or municipal governing body has approved specific utility location assignments within the public utility easement.

- C. The Developer shall pay all costs of obtaining right-of-way easements necessary to connect the Subdivision to Ruby Ranch's General Purpose Transmission Facilities, whether or not the easements are in the Subdivision. These costs shall be payable in the form of a Cashiers Check or other form of payment approved by the Board of Directors or Ruby Ranch's President or Secretary.

- D. All Subdivision shall meet the conditions of all local, state, and federal agencies having regulatory authority over lot sizes, sewage control, drainage, and right-of-way.
 - E. The Developer shall provide accurate on-the-ground markings of all Developer Projects in conformance to Ruby Ranch's requirements.
 - F. The Developer shall provide sufficient notification to Ruby Ranch's Engineer to allow Ruby Ranch's Engineer to observe critical elements of construction. These include, but are not limited to:
 - 1. Connections to existing mains;
 - 2. Pressure testing procedures; and
 - 3. The inspection of all water facilities.
 - G. Ruby Ranch may, if necessary, acquire any essential land or easements by eminent domain in order to provide service to a Subdivision. The Developer shall pay all expenses associated with such condemnation proceedings, including legal, engineering, the award of the Commissioners or the Court, and the like. These costs shall be payable in the form of a Cashiers Check or other form of payment approved by the Board of Directors or Ruby Ranch's President or Secretary.
- X. Acceptance
- A. Ruby Ranch's Engineer shall approve all facilities constructed in the Service Area. The cost for these services shall be borne by the Developer under this policy.
 - B. Construction plans and specifications will be strictly adhered to.
 - C. Ruby Ranch will, at the expense of the Developer, inspect and test the facilities to ensure that Ruby Ranch's standards are met.
 - D. After receipt of as-built drawings, letters of acceptance and final project approval from Ruby Ranch's Engineer, Ruby Ranch shall accept the Developer Project, provided the Developer has complied with other applicable portions of these rules and regulations.
 - E. Ruby Ranch shall not provide permanent service to a Subdivision until (1) the Developer has paid all amounts owed to Ruby Ranch under these rules and regulations, (2) the facilities have achieved compliance with applicable hydraulic standards, (3) the Developer has submitted documentation of a satisfactory bacteriological test for the facilities, and (4) Developer has presented Ruby Ranch a certificate applicable to the Subdivision issued pursuant Section 212.0115 of the Texas Local Government Code if the Subdivision is within the jurisdiction of a

municipality under Section 212.0115(a) of the Texas Local Government Code. Until the requirements of this subsection are satisfied Ruby Ranch will not provide water to the Subdivision for any purpose other than testing or flushing.

XI. Change Orders

- A. Change orders shall be prepared and processed by Ruby Ranch's Engineer. Change order approval signatures shall be obtained from appropriate agencies as determined by Ruby Ranch's Engineer.
- B. Change orders are required for any contract change other than a ten percent (10%) maximum change in the quantity of any bid item to a maximum of five percent (5%) of total contract price. In any event, a change order is required for any single change in total contract price that is five thousand dollars (\$5,000.00) or greater.

XII. General

A. Transfer of Reserved Capacity Prohibited

Any agreement entered into in accordance with this policy shall only be a commitment to provide water to the specific tract of land described in the Reserved Capacity Agreement.

B. Oversizing

- 1. Oversizing by Ruby Ranch. It may be necessary from time to time for Ruby Ranch to oversize improvements which are contemplated by the Developer, or Developers, to either its Production and Storage Facilities, its General Purpose Transmission Facilities, or the Developer's Project. The decision on whether to oversize such facilities shall lie exclusively with Ruby Ranch. Ruby Ranch shall bear the cost of all oversizing requested by Ruby Ranch. Should Ruby Ranch, in Ruby Ranch's sole discretion, determine that: (1) Ruby Ranch does not have funds available for such oversizing at the time a request for service is received so that the Developer would, in the Developer's opinion, be delayed from proceeding with its Subdivision, or (2) Ruby Ranch's available funds should not be used for oversizing on Developer's Project at the time a request for service is received, Ruby Ranch will agree to enter into a contract where all such oversizing is paid by the Developer and Ruby Ranch will reimburse the Developer out of future capacity reservation fees. Ruby Ranch will agree to, on an annual basis, make an accounting of the capacity reservation fees that have been received for the preceding year which utilized capacity in the System which was oversized at the expense of the Developer and pay the Developer an amount equal to sixty percent (60%) of such fees until Developer is fully compensated for the cost of funding Ruby Ranch's oversizing. Provided,

however, Ruby Ranch shall not pay interest on the funds which the Developer has expended for such oversizing. Additionally, the term of such contract shall not exceed ten years. At the expiration of the term of the contract, Ruby Ranch shall have no further obligation to reimburse the Developer for funds expended in such oversizing.

2. Oversizing By Developer. If Ruby Ranch's Board of Directors has determined that Ruby Ranch should construct an improvement to Ruby Ranch's General Purpose Transmission Facilities to serve the needs of existing members and such facilities may reasonably be oversized to provide capacity for a Developer's Project, the Developer will be allowed to enter a contract with Ruby Ranch to have the facilities oversized to provide capacity for Developer's Project provided that Developer pays the incremental cost to oversize the facilities beyond the capacity that Ruby Ranch would have constructed.

C. Recording of Information Concerning Water Availability

When a tract of land is subdivided and water supply capacity is not reserved for the entire tract, Ruby Ranch may file a notice concerning water availability in the real property records of any county in which the tract of land is located. The notice may reference the agreement between Ruby Ranch and the Developer and the notice may specify the portions of the tract of land for which water service is available and the portions of the tract of land for which no water supply capacity has been reserved.