These rules and regulations are issued in compliance with the bylaws of the association and are designed to govern the supplying and taking of services rendered by the association. They are subject to change from time to time, and until the association is no longer indebted to the United States of America, all changes must be approved by the State Director of the Rural Utilities Services (hereinafter call "Director"). If a provision of rules and regulations should conflict with a provision of the bylaw provision will prevail.

APPLICATION FOR MEMBERSHIP/WATER SERVICE

1.A Application for Membership/Water Service

Water service will be available subject to the availability of water as provided by the association's bylaws. Application for membership shall be made as provided by the association's bylaws. All persons wishing to obtain membership/water service from this Association's must be homeowners living within the service area and shall follow the "application process" in section 1. B below. Renters shall obtain water service as stated in: 1 C. Application Approval.

1.B Application Process

To obtain membership/water service the applicant must acquire and complete the following forms. (The secretary of the association or the treasurer must have these forms at all times):

- Application for Water Service providing basic information on who is responsible for the bill, two references, meter location, which will be used for billing information.
- Water Users Agreement with the right of way/easement.
- Payment of non-refundable membership fee, a hookup fee covering actual cost and materials for service installation, and/or other applicable fees established by the association. (see FEE SCHEDULE below).
- Show proof of property ownership to the Board of Directors of this association.

Incomplete applications may be grounds for denial of service. A membership fee must accompany the Application. Water service will not be available until these forms have been completed, approved by the association and all applicable fees have been paid in full.

Membership: $500.00

1.C Application Approval

Upon submitting of an application, Water Users Agreement and payment of a membership fee, the Board of Directors shall promptly review and make its decision on the application. If application is disapproved, the membership fee shall be refunded. Once approved the fee is non-refundable.
1.D Water Services for Rental Property

Application for renters' water service may be approved by a majority vote of the Board of Directors. The property owner shall be the member and responsible for all bills incurred, but the association will send bills to renters if requested. However, landlords renting properties serviced by this association must have each renter come in and complete an application for water service. All renters must first pay a renter's deposit before service is made available. The deposit shall be refunded when the renter leaves, provided that all association bills are paid in full.

Renters Deposit $ 50.00

In any case that a past due amount exceeds the deposit, a notice will be sent immediately to the owner and the renter, and service will be disconnected within 60 days from sending notice.

WATER SERVICE

2.A Water Service Ready to be Connected.

Water Service connection will be available when the application process has been completed by the property owner, the application has been approved by the association and all applicable fees have been paid in full. At which time, a Membership Certificate will be issued to the new member and metering facility will be placed by a certified operator at the main water line easement. Violation of this policy will result in cancellation of membership and payment of any federal and/or state fine in case the water system gets contaminated.

2.B Water Service Ready to use: Minimum Charge

Water services shall be considered ready to use when the Association maintains the water supply at normal pressure at the point of delivery in readiness for the member's use, regardless of whether the member makes use of it, and charges shall be made as of this date.

All Association members are subject to at least the minimum water charge as long as water service is connected and ready to use. Failure to pay for the minimum water service within the time provided herein and after due notification by the Association shall be grounds for a penalty and/or disconnection of service.

Monthly Minimum Charge $ 10.00 plus Gross Receipts Tax

2.C Legal/illegal Water Service Connection

Water services shall consist of facilities to supply water at normal operating pressure of the system to one residence or place of business at meter. Water service is for the sole use of the member, his agent(s) or tenant(s) at the location requested and does not permit the transfer or cross-connection of water by any means to another dwelling or place of business. Multiple connections are prohibited by funding agencies; and are unfair to the members of the association. A representative of the association shall have the right at all reasonable hours to enter upon member's premises for inspection and enforcement of this provision. A violation of this policy is grounds for a penalty specified below (see PENALTIES) or disconnection of service or both. A member may have more than one water service connection, as provided in the association's bylaws. To apply for more than one connection follow steps in Section 1A above.

2.D Connection to Private System

There shall be no physical connection between any private water well and the water system of the Association. A representative of the Association shall have the right at all reasonable hours to enter upon member's premises for inspection and enforcement of this provision. Violation of this provision is cause for disconnection of a member's water service. If a backflow prevention valve is installed, the member will pay for all expenses incurred.
2.E Continuity of Service

The Association will make all reasonable efforts to supply continuous, uninterrupted service. However, it shall have the right to interrupt service for repairs, connections, extension, or for other necessary work. Efforts will be made to notify members who may be affected by such interruptions, but the Association will not accept responsibility for losses which might occur due to such necessary interruptions of service or shortage of water supply.

2.F Leak Policy

The maintenance and repair of the service line on the user side of the water meter is the responsibility of the member being served. It is the member’s responsibility to keep the line in good working order. In the case of a leak in the member’s line, the member may be entitled to an adjustment of his or her water usage; provided that the member complies with the following conditions.

a. Within ten (10) days of the discovery of the leak by the owner or the notification of the Association of a probable leak, the owner submits to the Association verification that the leak has been repaired.

If the member does not repair the leak within 30 days of notification by the Association, a 10-day shut-off notice will be delivered to the service address where the leak occurred. If the leak is not repaired within the shut-off notice period, the water will be turned off and the meter locked. The water will not be turned on at the service address where the leak occurred until it has been repaired and verified by the Association.

THE METER/METERING FACILITIES

3.A Metering of Water Service

Water service will be metered to each individual dwelling or place of business. Metering facilities shall be installed by the Association.

3.B Metering Facilities/Tampering

Metering facilities shall be installed and maintained by the Association and shall be paid for by the member. These shall consist of service clamp, corporation stop, service line, meter yoke, meter box, backflow device and meter. Tampering with meter facilities is a violation of this Association property and may be penalized by the Board of Directors or prosecuted in court.

3.C Location of Metering Facilities

Metering facilities shall be located at the main line or member's property line. In special cases where this is not practical, the location shall be agreed upon jointly by the Board of Directors and the member. Should the location be within the member's property, he/she shall grant the Association an easement of right-of-way and the right of ingress and egress to said property for servicing or removing the metering facilities.

3.D Meter Accuracy

Service meters, where errors do not exceed two (2%) percent fast or slow, shall be considered as being within the allowable limits of accuracy for billing purposes.
3.E Meter Testing

Meter testing requested by members will be performed without cost to the member, if the meter is found to be off in excess of two (2%) percent. Otherwise the member for whom the required testing was made will be charged for the cost of making the test.

3.F Meter Reading

Meters will be read by the Association between the 25th and 30th of each month or bimonthly. If a meter cannot be read, the Association will bill the member for the average water used during the prior three months until such time as adjustments can be made for actual water used.

BILLING AND PAYMENT OF WATER SERVICE

4.A Billing of Water Service

All Association members are subject to at least the minimum water charge as soon as water service is available, as defined in "Water Service." The Association's accountant shall bill the membership monthly for water service from actual meter reading at the rates set forth on the approved water rate schedule INCLUDED in these Rules. All water metered as used by the member shall be subject to the rate schedule, including water leaked from a member's line.

4.B Payment of Water Service

Bills for water service are due and payable at the location indicated on the bill or at the location determined by the Board of Directors on the date of mailing and become overdue on the 23rd of each month.

4.C Overdue Accounts

Overdue payments are subject to ten cents (0.10) per day charge. Failure to pay for water service will result in disconnection of service. SEE below.

4.D Delinquent Accounts/Notification & Disconnection of Services

Members who fail to pay for water services and applicable penalties within (60) days, two (2) months of being billed shall be considered delinquent and shall be subject to disconnection procedures.

All delinquent members will be notified by mail by the Board of Directors. The notification shall include the amount due and a due date thirty (30) days after the date of the notice. Failure to pay at the time specified in the notice shall result in water service being disconnected. To restore water services a reconnection fee of $25.00 must be paid.

4.E Negotiating Monthly Payment Schedule (for members only)

To avoid disconnection of services, the Board and the Member may negotiate a monthly payment schedule for the delinquent amount. Provided that the time of the agreement, the member shall pay, as initial deposit twenty-five (25%) percent of the overdue amount.

If services are disconnected, the Board and the Member may still negotiate a monthly payment schedule for the delinquent amount. Services will be reinstated provided that the member pays the reconnection fee of $25.00 and twenty-five (25%) percent deposit of the overdue amount.

4.F Reconnection of Water Services

Any water service which has been disconnected due to a delinquent account or for other reasons, shall not be reconnected until the account has been paid current and the applicable reconnection fee of $25.00 is paid in full.
4.G Cancellation of Membership

If a member is delinquent for 12 months after disconnection of services, the amount due shall be considered uncollectible and the membership in default and should be cancelled. After that date, a request for reconnection shall be subject to a new membership and hookup fee requirement.

SERVICE CONNECTIONS BEYOND THE SYSTEM’S SERVICE AREA

5.A Extension of Water Mains for one Individual

Mains and service lines laid beyond the association’s existing water system will be installed to the Association’s specifications and paid for by the individual applying for membership.

5.B Extension of Water Mains for a Group of Individuals

In cases where a group of individuals is applying for membership and suitable self-liquidating financing can be arranged and a proper resolution is adopted by the general membership to further indent the Association for this purpose, the Association may provide adequate expansion of the system to serve these individuals.

5.C Extension of Water Mains Not Covered Above

The Board of Directors may enter into special service contracts in cases where the applicant has unusual service requirements. However, in no case will the Association enter into such a contract before obtaining Rural Utilities Services’ (RUS) review and approval of the contract.

FEE & PENALTY SCHEDULE SUMMARY - Membership & Hook Up Fees:

Penasco MDWC & SWA will supervise the hook-up. Members will be responsible for providing a backhoe for the hook-up. Please note that the above fees are for a simple installation. If the installation costs exceed the amount specified above, the member shall pay the balance due within 30 days of connecting.

<table>
<thead>
<tr>
<th>Service</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership Fee</td>
<td>$500.00</td>
</tr>
<tr>
<td>Additional membership</td>
<td>$250.00</td>
</tr>
<tr>
<td>Materials charge for 2”, 4”, or 6” line:</td>
<td></td>
</tr>
<tr>
<td>Cost to members will be the current cost of materials and labor required.</td>
<td></td>
</tr>
<tr>
<td>Shutoff fee</td>
<td>$25.00</td>
</tr>
<tr>
<td>Reconnecting fee</td>
<td>$25.00</td>
</tr>
<tr>
<td>Returned check</td>
<td>$8.00</td>
</tr>
</tbody>
</table>

Delinquent Accounts:

The Association will send disconnect notice after two (2) months delinquency. The Association will disconnect water service upon non-payment within thirty (30) days of date of notice and a charge of $25.00 shutoff fee will be added to the member delinquent account. Water service will be reconnected upon payment of the delinquent amount or agreement payment has been made and the reconnection fee of $25.00 has been paid.
Loss of Membership

The Association will cancel the membership of delinquent members who have not paid within twelve (12) months of being disconnected from the Association water system.

Upon loss of membership, the property owner will have to reapply to become a member and pay the current hookup fee before service is reestablished to that location.

Multiple Connection

Multiple connections are prohibited by the funding agency and are unfair to the members of the Association. Failure to abide by these rules will result in disconnection of services and loss of membership. The member who allows the illegal hookup will have to pay as many times as illegal connections the rate or amount read by the meter at the metered illegal connection.

RATE SCHEDULE

Non-Active Members       $10.00 Base Rate
Active Members           $15.00 Base Rate, plus usage charge as described below.

Usage Bracket:
1. $.002 for each gallon when usage falls between 1 and 4,000 gallons.
2. $.0025 for each gallon when usage falls between 4,001 and 7,000 gallons.
3. $.0035 for each gallon when usage falls between 7,001 and 10,000 gallons.
4. $.006 for each gallon when usage is over 10,001 gallons.

This Rules and Regulations were adopted by the Board of Directors on July 15, 2018