

**WATER UTILITY TARIFF
FOR**

Stone Hedge Utility Company, Inc.
(Utility Name)

P.O. Box 426
(Business Address)

Spring, Texas 77383-0426
(City, State, Zip Code)

(281)-444-7747
(Area Code/Telephone)

This tariff is effective for utility operations under the following Certificate of Convenience and Necessity:

12624

This tariff is effective in the following county:

Montgomery

This tariff is effective in the following cities or unincorporated towns (if any):

N/A

This tariff is effective in the following subdivisions and public water systems:

Stonehedge Estates Subdivision: PWS # 1700102

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TEXAS COMM. ON ENVIRONMENTAL QUALITY
36104-G, 12624, SEPTEMBER 1, 2008
APPROVED TARIFF BY 2/1/08

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

| <u>Meter Size</u> | <u>Monthly Minimum Charge</u> | <u>Gallage Charge</u> |
|-------------------|-------------------------------------|---|
| 5/8" or 3/4" | <u>\$31.03</u> (Includes 0 gallons) | <u>\$1.60</u> per 1000 gallons thereafter |
| 1" | <u>\$77.58</u> | |
| 1½" | <u>\$155.15</u> | |
| 2" | <u>\$248.24</u> | |
| 3" | <u>\$465.45</u> | |

FORM OF PAYMENT: The utility will accept the following forms of payment:

Cash X, Check X, Money Order X

THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS.

REGULATORY ASSESSMENT 1.0%
TCEQ RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL.

Section 1.02 - Miscellaneous Fees

TAP FEE 600.00
TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 5/8" or 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

TAP FEE (Unique costs) Actual Cost
FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE OF SUBDIVISIONS OR RESIDENTIAL AREAS.

TAP FEE (Large meter) Actual Cost
TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METER SIZE INSTALLED.

METER RELOCATION FEE Actual Relocation Cost, Not to Exceed Tap Fee
THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE RELOCATED.

METER TEST FEE \$25.00
THIS FEE WHICH SHOULD REFLECT THE UTILITY'S COST MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY. THE FEE MAY NOT EXCEED \$25.

RATES LISTED ARE EFFECTIVE ONLY
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TEXAS COMM. ON ENVIRONMENTAL QUALITY
36104-G, 12624, SEPTEMBER 1, 2008
APPROVED TARIFF BY ALH

SECTION 1.0 -- RATE SCHEDULE (Continued)

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- a) Non payment of bill (Maximum \$25.00)\$25.00
- b) Customer's request that service be disconnected\$50.00

TRANSFER FEE\$35.00

THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.

LATE CHARGE (EITHER \$5.00 OR 10% OF THE BILL) 10%

TCEQ RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE\$25.00

RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50)\$50.00

COMMERCIAL & NON-RESIDENTIAL DEPOSIT 1/6TH OF ESTIMATED ANNUAL BILL

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE:

WHEN AUTHORIZED IN WRITING BY TCEQ AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. [30 TAC 291.21(K)(2)]

LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SECTION 3.0-EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE.

RATES LISTED ARE EFFECTIVE ONLY
IF THIS PAGE HAS TCEQ APPROVAL STAMP

SECTION 2.0 - SERVICE RULES AND REGULATIONS

Section 2.01 - Texas Water Commission Rules

The utility will have the most current Texas Water Commission Rules, Chapter 291, Water Rates, available at its office for reference purposes. ~~The Rules and this tariff shall be available for public inspection and reproduction at a reasonable cost.~~ The latest Rules or Commission approved changes to the Rules supersede any rules or requirements in this tariff.

Section 2.02 - Application for and Provision of Water Service

All applications for service will be made on the utility's standard application or contract form (attached in the Appendix to this tariff) and will be signed by the applicant before water service is provided by the utility. A separate application or contract will be made for each service at each separate location.

After the applicant has met all the requirements, conditions and regulations for service, the utility will install tap, meter and utility cut-off valve and/or take all necessary actions to initiate service. The utility will serve each qualified applicant for service within 5 working days unless line extensions or new facilities are required. If construction is required to fill the order and if it cannot be completed within 30 days, the utility will provide the applicant with a written explanation of the construction required and an expected date of service.

Where service has previously been provided, the utility will reconnect the service within one working day after the applicant has met the requirements for reconnection.

The customer will be responsible for furnishing and laying the necessary customer service pipe from the meter location to the place of consumption. Customers may be required to install a customer owned cut-off valve on the customer's side of the meter or connection.

Section 2.03 - Refusal of Service

The utility may decline to serve an applicant until the applicant has complied with the regulations of the regulatory agencies (state and municipal regulations) and for the reasons outlined in the TWC Rules. In the event that the utility refuses to serve an applicant, the utility will inform the applicant in writing of the basis of its refusal. The utility is also required to inform the applicant that he may file a complaint with the Commission.

Section 2.04 - Customer Deposits

If a residential applicant cannot establish credit to the satisfaction of the utility, the applicant will be required to pay a deposit as provided for in Section 1.02 of this tariff. The utility will keep records of the deposit and credit interest in accordance with TWC Rules.

TEXAS WATER COMMISSION

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

Residential applicants 65 years of age or older may not be required to pay deposits unless the applicant has an outstanding account balance with the utility or another water or sewer utility which accrued within the last two years.

Nonresidential applicants who cannot establish credit to the satisfaction of the utility may be required to make a deposit that does not exceed an amount equivalent to one-sixth of the estimated annual billings.

Refund of deposit - If service is not connected, or after disconnection of service, the utility will promptly refund the customer's deposit plus accrued interest or the balance, if any, in excess of the unpaid bills for service furnished. The utility may refund the deposit at any time prior to termination of utility service but must refund the deposit plus interest for any customer who has paid 18 consecutive billings without being delinquent.

Section 2.05 - Meter Requirements, Readings, and Testing

All water sold by the utility will be billed based on meter measurements. The utility will provide, install, own and maintain meters to measure amounts of water consumed by its customers. One meter is required for each residential, commercial or industrial facility in accordance with the TWC Rules.

Service meters will be read at monthly intervals and as nearly as possible on the corresponding day of each monthly meter reading period unless otherwise authorized by the Commission.

Meter tests. The utility will, upon the request of a customer, and, if the customer so desires, in his presence or in that of his authorized representative, make without charge a test of the accuracy of the customer's meter. The test will be made during the utility's normal working hours at a time convenient to the customer if he desires to observe the test. The test will be made preferably on the customer's premises, but may, at the utility's discretion, be made at the utility's test laboratory. If within a period of two years the customer requests a new test, the utility will make the test, but if the meter is found to be within the accuracy standards established by the American Water Works Association, the utility will charge the customer a fee which reflects the cost to test the meter up to a maximum \$25 for a residential customer. Following the completion of any requested test, the utility will promptly advise the customer of the date of removal of the meter, the date of the test, the result of the test, and who made the test.

Section 2.06 - Billing

Bills from the utility will be mailed monthly unless otherwise authorized by the Commission. Payment is considered late if not received by 5:00 PM at the utility's office or postal address within sixteen (16) days of the billing date. The postmark on the envelope

TEXAS WATER COMMISSION

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

of the bill or the recorded date of mailing by the utility, if there is no postmark on the envelope, will constitute proof of the date of issuance. If the due date falls on a holiday or weekend, the due date for payment purposes will be the next work day after the due date.

A late penalty of either \$2.00 or 5.0% will be charged on bills received after the due date. The penalty on delinquent bills will not be applied to any balance to which the penalty was applied in a previous billing. The utility must maintain a record of the date of mailing to charge the late penalty.

Each bill will provide all information required by the TWC Rules. The utility will maintain and note on the monthly billing a telephone number (or numbers) which may be reached by a local call by customers of each of the systems it operates. At the utility's option, a toll-free telephone number or the equivalent may be provided.

In the event of a dispute between a customer and a utility regarding any bill for utility service, the utility will conduct an investigation and report the results to the customer. If the dispute is not resolved, the utility will inform the customer that a complaint may be filed with the Commission.

Section 2.07 - Service Disconnection

Utility service may be disconnected if the bill has not been paid in full by the date listed on the termination notice. The termination date must be at least 10 days after the notice is mailed or hand delivered.

The utility is encouraged to offer a deferred payment plan to a customer who cannot pay an outstanding bill in full and is willing to pay the balance in reasonable installments. However, a customer's utility service may be disconnected if a bill has not been paid or a deferred payment agreement entered into within 26 days from the date of issuance of a bill and if proper notice of termination has been given.

Notice of termination must be a separate mailing or hand delivery in accordance with the TWC Rules.

Utility service may also be disconnected without notice for reasons as described in the TWC Rules.

Utility personnel must be available to collect payments and to reconnect service on the day of and the day after any disconnection of service unless service was disconnected at the customer's request or because of a hazardous condition.

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SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

Section 2.08 - Reconnection of Service

Service will be reconnected within 24 hours after the past due bill and any other outstanding charges are paid or correction of the conditions which caused service to be disconnected.

Section 2.09 - Service Interruptions

The utility will make all reasonable efforts to prevent interruptions of service. If interruptions occur, the utility will re-establish service within the shortest possible time. Except for momentary interruptions due to automatic equipment operations, the utility will keep a complete record of all interruptions, both emergency and scheduled and will notify the Commission in writing of any service interruptions affecting the entire system or any major division of the system lasting more than four hours. The notice will explain the cause of the interruptions.

Prorated Bills - If service is interrupted or seriously impaired for 24 consecutive hours or more, the utility will prorate the monthly base bill in proportion to the time service was not available to reflect this loss of service.

Section 2.10 - Quality of Service

The utility will plan, furnish, and maintain production, treatment, storage, transmission, and distribution facilities of sufficient size and capacity to provide a continuous and adequate supply of water for all reasonable consumer uses. Unless otherwise authorized by the Commission, the utility will maintain facilities as described in the TWC Rules or in the Texas Department of Health's "Rules and Regulations for Public Water Systems."

Section 2.11 - Customer Complaints and Disputes

If a customer or applicant for service lodges a complaint, the utility will promptly make a suitable investigation and advise the complainant of the results. Service will not be disconnected pending completion of the investigation. If the complainant is dissatisfied with the utility's response, the utility must advise the complainant that he has recourse through the Texas Water Commission complaint process. Pending resolution of a complaint, the commission may require continuation or restoration of service.

The utility will maintain a record of all complaints which shows the name and address of the complainant, the date and nature of the complaint and the adjustment or disposition thereof, for a period of two years after the final settlement of the complaint.

TEXAS WATER COMMISSION

9052-C CON 12624 SEP 17 '91

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SECTION 2.20 - SPECIFIC UTILITY SERVICE RULES AND REGULATIONS

This section contains specific utility service rules in addition to the rules previously listed under Section 2.0. It must be reviewed and approved by the Commission and in compliance with TWC Rules to be effective.

SECTION 3.0 - EXTENSION POLICY

Section 3.01 - Standard Extension Requirements

LINE EXTENSION AND CONSTRUCTION CHARGES. No contribution in aid of construction may be required of any customer except as provided for in this approved extension policy.

The customer will be given an itemized statement of the costs, options such as rebates to the customer, sharing of construction costs between the utility and the customer, or sharing of costs between the customer and other applicants prior to beginning construction.

The utility will bear the full cost of any oversizing of water mains necessary to serve other customers in the immediate area. The individual residential customer shall not be charged for any additional production, storage, or treatment facilities. Contributions in aid of construction may not be required of individual residential customers for production, storage, treatment or transmission facilities unless otherwise approved by the Commission under this specific extension policy.

COST UTILITIES SHALL BEAR. Within its certificate area, the utility will pay the cost of the first 200 feet of any water main or sewer collection line necessary to extend service to an individual residential customer within a platted subdivision. However, if the residential customer requesting service purchased the property after the developer was notified of the need to provide facilities to the utility, the utility may charge for the first 200 feet. The utility must also be able to document that the developer of the subdivision refused to provide facilities compatible with the utility's facilities in accordance with the utility's approved extension policy after receiving a written request from the utility.

Developers may be required to provide contributions in aid of construction in amounts to furnish the system with all facilities necessary to comply with the Texas Department of Health's "Rules and Regulations for Public Water Systems."

SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY

This section contains the utility's specific extension policy which complies with the requirements already stated under Section 3.01. It must be reviewed and approved by the Commission and in compliance with TWC Rules to be effective.

Residential customers not covered under Section 3.01 will be charged the equivalent of the costs of extending service to their property from the nearest transmission or distribution line even if that line does not have adequate capacity to serve the customer. However, if the customer places unique, non-standard service demands upon the system, the customer may be charged the full cost of extending service to and throughout their property, including the cost of all necessary transmission and storage facilities necessary to meet the service demands anticipated to be created by that property.

Developers will be required to provide contributions in aid of construction in amounts sufficient to furnish the development with all facilities necessary to provide for reasonable local demand requirements and to comply with Texas Department of Health minimum design criteria for facilities used in the production, transmission, pumping, or treatment of water or Texas Water Commission minimum requirements. For purposes of this subsection, a developer is one who subdivides or requests more than two meters on a piece of property. Commercial, industrial, and wholesale customers will be treated as developers.

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SECTION 4.0 -- DROUGHT CONTINGENCY PLAN
(Utility must attach copy of TCEQ approved Drought Contingency Plan)

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APPROVED BY SP/SP

Stone Hedge Utility Company

PO BOX 426
SPRING, TEXAS 77383-0426
281-444-7747

December 1, 2005

To: Texas Commission on Environmental Quality
PO Box 13087
Austin, Texas 78711-3087

Re: Request for minor tariff amendment.

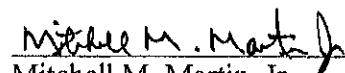
Dear Sir/Madam:

I, **Mitchell M. Martin, Jr.**, being the responsible official for **Stone Hedge Utility Company**, request a minor tariff amendment to include the attached Drought Contingency Plan.

Should you have any questions or need additional information you may contact me at:

24hr Service - (281) 444-7747
Fax - (281) 292-4439

Sincerely,



Mitchell M. Martin, Jr.
General Manager
Stone Hedge Utility Company

RECEIVED
DEC 05 2005
WATER RIGHTS PERMITTING

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

DEC 12 6 24 PM 2005

APPROVED/TAKEN BY: SP/SP

DROUGHT CONTINGENCY PLAN

FOR

STONE HEDGE UTILITY COMPANY

PO BOX 426
SPRING TX 77383-0426

CCN NO. 12624

Including the following water system:

Stone Hedge Estates - 1700102

Date:
December 1, 2005

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TEXAS COMM. OF WATER QUALITY

DEC 05 '05

APPROVED BY SP/SP

Section I Declaration of Policy, Purpose, and Intent

In cases of extreme drought, periods of abnormally high usage, system contamination, or extended reduction in ability to supply water due to equipment failure, temporary restrictions may be instituted to limit non-essential water usage (as defined in Section VII of this Drought Contingency Plan). The purpose of this Drought Contingency Plan (the Plan) is to encourage customer conservation in order to maintain supply, storage, and pressure, or to comply with the requirements of a court, government agency or other authority.

Please note: Water restriction is not a legitimate alternative if the water system does not meet the Texas Commission on Environmental Quality (TCEQ) capacity requirements under normal conditions or if the utility fails to take all immediate and necessary steps to replace or repair malfunctioning equipment.

Section II Public Involvement

Opportunity for the public to provide input into the preparation of this amended Plan was provided by delivery of a customer notice on the customer's monthly bill. A copy of the notice is included in Appendix A.

Section III Public Education

Stone Hedge Utility Company will periodically provide the public with information about the Plan, including information about the conditions under which each stage of the Plan is to be initiated or terminated and the drought response measures to be implemented in each stage. Drought plan information will be provided to the customer by utility bill inserts and/or customer mailouts.

Section IV Coordination with Regional Water Planning Groups

The service area of Stone Hedge Utility Company is located within Regional Water Planning Group (RWPG) H, and Stone Hedge Utility Company has mailed a copy of this plan to the RWPG.

Section V Authorization

Stone Hedge Utility Company, after having caused its' tariff to be amended so as to include this Plan, shall be authorized to implement the applicable provisions of this Plan upon determination that such implementation is necessary to protect public health, safety, and welfare. Stone Hedge Utility Company shall have the authority to initiate or terminate drought or other water supply emergency response measures as described in this plan.

Section VI Application

The provisions of this Plan shall apply to all persons, customers, and property utilizing water provided by Stone Hedge Utility Company. The terms "person" and "customer" as used in the Plan include individuals, corporations, partnerships, associations, and all other legal entities.

Section VII Definitions

Aesthetic water use - water use for ornamental or decorative purposes such as fountains, reflecting pools, and water gardens.

Commercial and institutional water use - water use which is integral to the operations of commercial and non-profit establishments and governmental entities such as retail establishments, hotels and motels, restaurants, and office buildings.

Conservation - those practices, techniques, and technologies that reduce the consumption of water, reduce the loss or waste of water, improve the efficiency in the use of water or increase the recycling and reuse of water so that a supply is conserved and made available for future or alternative uses.

Customer - any person, company, or organization using water supplied by Stone Hedge Utility Company.

Domestic water use - water use for personal needs or for household or sanitary purposes such as drinking, bathing, heating, cooking, sanitation, or for cleaning a residence, business, industry, or institution.

Even number address - street addresses, box numbers, or rural postal route numbers ending in 0, 2, 4, 6, or 8 and locations without addresses.

Industrial water use - the use of water in processes designed to convert materials of lower value into forms having greater usability and value.

Landscape irrigation use - water used for the irrigation and maintenance of landscaped areas, whether publicly or privately owned, including residential and commercial lawns, gardens, golf courses, parks, rights-of-ways, green belt areas, and medians.

Non-essential water use - water uses that are not essential, nor required for the protection of public health, safety and welfare, including:

- (a) irrigation of landscape areas, including parks, athletic fields, and golf courses, except as otherwise provided for under this Plan;
- (b) use of water to wash any motor vehicle, motorbike, boat, trailer, airplane, or other vehicle;
- (c) use of water to wash down any sidewalks, walkways, driveways, parking lots, tennis courts, or other hard-surfaced areas;
- (d) use of water to wash down buildings or structures for purposes other than immediate fire protection;
- (e) flushing gutters or permitting water to run or accumulate in any gutter or street;
- (f) use of water to fill, refill, or add to any indoor or outdoor swimming pools or Jacuzzi-type pools;
- (g) use of water in a fountain or pond for aesthetic or scenic purposes except where necessary to support aquatic life;
- (h) failure to repair a controllable leak(s) within a reasonable period after having been given notice directing the repair of such leak(s); and
- (i) use of water from hydrants for construction purposes or any other purposes other than fire fighting.

Odd numbered address - street addresses, box numbers, or rural postal route numbers ending in 1, 3, 5, 7, or 9.

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Section VIII Criteria for Initiation and Termination of Drought Response Stages

Stone Hedge Utility Company shall monitor water supply and/or demand conditions on a regular basis and shall determine when conditions warrant initiation or termination of each stage of the Plan, that is, when the specified "triggers" are reached. The triggering criteria described below are based on known system capacity limits.

Stage I Triggers – Customer Awareness

Requirement for initiation:

Annually, beginning on April 1st.

Requirement for termination:

Annually, ending on September 30th.

Stage II Triggers – Voluntary Water Conservation

Requirements for initiation:

Customers shall be requested to voluntarily conserve water and adhere to the prescribed restrictions on certain non-essential water uses for Stage II of this Plan (as provided for in Section IX of this Plan) when any of the following conditions occur:

(1) *Supply-Based Trigger(s):*

- (a) When the specific capacity of the well(s) is equal to or less than 90% of the well's original specific capacity.
- (b) Notification by any wholesale water supplier and/or neighboring utility with whom Stone Hedge Utility Company has an agreement to purchase water that they are implementing Stage II rationing.

(2) *Demand/Capacity-Based Trigger(s):*

- (a) When total daily water demand equals or exceeds 85% of the operating capacity of the water facilities for three consecutive days, or exceeds 90% of the operating capacity of the water facilities on any single day.
- (b) Inability to maintain a minimum operating pressure of 40 psi in the far reaches of the water system for three consecutive days, or inability to maintain a minimum operating pressure of 35 psi in the far reaches of the water system on any single day.

Requirements for termination:

Stage II of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of seven (7) consecutive days. Upon termination of Stage II, Stage I becomes operative.

Stage III Triggers – Mandatory Water Use Restrictions

Requirements for initiation:

Customers shall be required to conserve water and adhere to the prescribed restrictions on certain non-essential water uses for Stage III of this Plan (as provided for in Section IX of this Plan) when any of the following conditions occur:

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

(1) Supply-Based Trigger(s):

- (a) When the specific capacity of the well(s) is equal to or less than 85% of the well's original specific capacity.
- (b) Notification by any wholesale water supplier and/or neighboring utility with whom Stone Hedge Utility Company has an agreement to purchase water that they are implementing Stage III rationing.

(2) Demand/Capacity-Based Trigger(s):

- (a) When total daily water demand equals or exceeds 90% of the operating capacity of the water facilities for three consecutive days, or exceeds 95% of the operating capacity of the water facilities on any single day.
- (b) Inability to maintain a minimum operating pressure of 35 psi in the far reaches of the water system for three consecutive days, or inability to maintain a minimum operating pressure of 30 psi in the far reaches of the water system on any single day.

Requirements for termination:

Stage III of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of seven (7) consecutive days. Upon termination of Stage III, Stage II becomes operative.

Stage IV Triggers – Critical Water Use Restrictions

Requirements for initiation:

Customers shall be **required** to conserve water and adhere to the prescribed restrictions on certain non-essential water uses for Stage IV of this Plan (as provided for in Section IX of this Plan) when any of the following conditions occur:

(1) Supply-Based Trigger(s):

- (a) When the specific capacity of the well(s) is equal to or less than 80% of the well's original specific capacity.
- (b) Notification by any wholesale water supplier and/or neighboring utility with whom Stone Hedge Utility Company has an agreement to purchase water that they are implementing Stage IV rationing.

(c) supply contamination (d) system outage

(2) Demand/Capacity-Based Trigger(s):

- (a) When total daily water demand equals or exceeds 95% of the operating capacity of the water facilities for three consecutive days, or exceeds 100% of the operating capacity of the water facilities on any single day.
- (b) Inability to maintain a minimum operating pressure of 30 psi in the far reaches of the water system for three consecutive days, or inability to maintain a minimum operating pressure of 20 psi in the far reaches of the water system on any single day.

Requirements for termination:

Stage IV of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of seven (7) consecutive days. Upon termination of Stage IV, Stage III becomes operative.

Section IX Drought Response Stages

Unless there is an immediate and extreme reduction in water production, or other absolute necessity to declare an emergency or severe condition, the utility will initially declare Stage I restrictions. If, after a reasonable period of time, demand is not reduced enough to alleviate outages, reduce the risk of outages, or comply with restrictions required by a court, government agency or other authority, Stage II may be implemented with Stage III & Stage IV to follow if necessary.

Stage I Response – Customer Awareness

Target:

Increase customer awareness of water conservation and encourage the most efficient use of water.

Utility Measures:

- (1) Upon initiation and termination of Stage I, the utility will mail a public announcement to its customers.
- (2) No notice to TCEQ required.
- (3) Keep a copy of the current public announcement on water conservation awareness on file for inspection by the TCEQ.

Voluntary Water Use Restrictions:

Water customers are requested to voluntarily limit the use of water for non-essential purposes and to practice water conservation.

Stage II Response – Voluntary Water Conservation

Target:

Achieve a voluntary 15% reduction in daily water demand.

Utility Measures:

- (1) Upon initiation and termination of Stage II, the utility will mail a public announcement to its customers.
- (2) No notice to TCEQ required.
- (3) Visually inspect lines and repair leaks on a regular basis.
- (4) Perform a monthly review of customer usage records and follow-up on any that have unusually high usage.

Voluntary Water Use Restrictions:

- (1) **Restricted Days** - Water customers are requested to voluntarily limit the irrigation of landscaped areas with hose-end sprinklers or automatic irrigation systems. Customers are requested to limit outdoor water use to:
 - (a.) **Mondays** - for customers with a street address ending with the numbers 1, 2, or 3;
 - (b.) **Wednesdays** - for customers with a street address ending with the numbers 4, 5, or 6;
 - (c.) **Fridays** - for customers with a street address ending with the numbers 7, 8, 9, or 0.
- (2) **Restricted Hours** - Irrigation of landscaped areas is further limited to the hours of 6:00 a.m. until 10:00 a.m. and 6:00 p.m. until 10:00 p.m. on designated watering days. However, irrigation of landscaped areas is permitted at anytime if it is by means of a hand-held hose, a faucet filled bucket or watering can of five (5) gallons or less, or drip irrigation system.

TEXAS COMMERCE BANK

- (3) **Additional Restrictions** - Water is not to be used in a wasteful manner (i.e. allowing water to run or accumulate in any gutter, ditch, or street, or failing to repair a controllable leak within a reasonable time period.)

Stage III Response – Mandatory Water Use Restrictions

Target:

Achieve a 20% reduction in daily water demand.

Utility Measures:

- (1) Upon initiation and termination of Stage III, the utility will mail a public announcement to its customers.
- (2) Notice to TCEQ required.
- (3) Visually inspect lines and repair leaks on a regular basis.
- (4) Perform a monthly review of customer usage records and follow-up on any that have unusually high usage.
- (5) Flushing is prohibited except for dead end mains.

Mandatory Water Use Restrictions:

- (1) **Restricted Days** - Water customers are required to limit the irrigation of landscaped areas with hose-end sprinklers or automatic irrigation systems. Customers are required to limit outdoor water use to:
 - (a.) **Mondays** - for customers with a street address ending with the numbers 1, 2, or 3;
 - (b.) **Wednesdays** - for customers with a street address ending with the numbers 4, 5, or 6;
 - (c.) **Fridays** - for customers with a street address ending with the numbers 7, 8, 9, or 0.
- (2) **Restricted Hours** - Irrigation of landscaped areas is further limited to the hours of 6:00 a.m. until 10:00 a.m. and 6:00 p.m. until 10:00 p.m. on designated watering days. However, irrigation of landscaped areas is permitted at anytime if it is by means of a hand-held hose, a faucet filled bucket or watering can of five (5) gallons or less, or drip irrigation system.
- (3) **Additional Restrictions:**
 - (a) Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle is prohibited except on designated watering days between the hours of 6:00 a.m. and 10:00 a.m. and between the hours of 6:00 p.m. and 10:00 p.m. Such washing, when allowed, shall be done with a hand-held bucket or a hand-held hose equipped with a positive shutoff nozzle for quick rinses. Vehicle washing may be done at any time on the immediate premises of a commercial car wash or commercial service station. Further, such washing may be exempted from these regulations if the health, safety, and welfare of the public is contingent upon frequent vehicle cleansing, such as garbage trucks and vehicles used to transport food and perishables.
 - (b) Use of water to fill, refill, or add to any indoor or outdoor swimming pools, wading pools, or "Jacuzzi" type pools is prohibited except on designated watering days between the hours of 6:00 a.m. and 10:00 a.m. and between the hours of 6:00 p.m. and 10:00 p.m.
 - (c) Operation of any ornamental fountain or pond for aesthetic or scenic purposes is prohibited except where necessary to support aquatic life or where such fountains or ponds are equipped with a recirculation system.
 - (d) Use of water from hydrants or flush valves shall be limited to maintaining public health, safety, and welfare.

(c) The following uses of water are defined as non-essential and are prohibited:

- (i) use of water to wash down any sidewalks, walkways, driveways, parking lots, tennis courts, or other hard-surfaced areas;
- (ii) use of water to wash down buildings or structures for purposes other than immediate fire protection;
- (iii) use of water for dust control;
- (iv) flushing gutters or permitting water to run or accumulate in any gutter, ditch, or street;
- (v) failure to repair a controllable leak(s) within a reasonable period after having been given notice directing the repair of such leak(s); and
- (vi) Any waste of water.

Stage IV Response – Critical Water Use Restrictions

Target:

Achieve a 25% reduction in daily water demand.

Utility Measures:

- (1) Upon initiation and termination of Stage III, the utility will mail a public announcement to its customers.
- (2) Notice to TCEQ required.
- (3) Visually inspect lines and repair leaks on a daily basis.
- (4) Customer meters shall be read as often as necessary to insure compliance with Stage IV restrictions.
- (5) Flushing is prohibited except for dead end mains and only between the hours of 8:00 p.m. and 12:00 midnight.
- (6) Emergency interconnections and/or alternative supply arrangements shall be initiated.

Mandatory Water Use Restrictions: (All outdoor use of water is prohibited.)

- (1) Irrigation of landscaped areas is absolutely prohibited.
- (2) Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle is absolutely prohibited.
- (3) Each customer's usage is to be limited to an average of the customers' winter months' average to be uniformly applied on a system wide basis, with each customer being notified of this average amount.

Section X Notice Requirements

Written notice will be provided to each customer **prior to implementation or termination of each stage of the water restriction program**. Mailed notice must be given to each customer 72 hours prior to the start of water restriction. If notice is hand delivered, the utility cannot enforce the provisions of the plan for 24 hours after notice is provided. The written notice to customers will contain the following information:

- (1) the date restrictions will begin,
- (2) the circumstance(s) that triggered the restrictions,
- (3) the stage of response and explanation of the restrictions to be implemented, and,
- (4) an explanation of the consequences for violations.

The utility must notify the TCEQ by telephone at (512) 239-6020, or electronic mail at watermon@tceq.state.tx.us prior to implementing Stage III and must notify in writing the Public Drinking Water Section at MC - 155, P.O. Box 13087, Austin, Texas 78711-3087 within (5) working days of implementation including a copy of the utility's restriction notice. The utility must file a status report of its restriction program with the TCEQ at the initiation and termination of mandatory water use restrictions (i.e. Stages III and IV).

Section XI Violations

- (1) First violation - The customer will be notified by written notice of their specific violation.
- (2) Subsequent violations:
 - (a.) After written notice, the utility may install a flow restricting device in the line to limit the amount of water which will pass through the meter in a 24 hour period. The utility may charge the customer for the actual cost of installing and removing the flow restricting device, not to exceed \$50.00.
 - (b.) After written notice, the utility may discontinue service at the meter for a period of seven (7) days, or until the end of the calendar month, whichever is LESS. The normal reconnect fee of the utility will apply for restoration of service.

Section XII Exemptions or Variances

The utility may grant any customer an exemption or variance from the drought contingency plan for good cause upon written request. Persons requesting an exemption from the provisions of this Plan shall file a petition for variance with Stone Hedge Utility Company within 5 days after the Plan or a particular drought response stage has been invoked. All petitions for variances shall be reviewed by Stone Hedge Utility Company and must include the following information:

- (1) Name and address of the petitioner(s);
- (2) Purpose of water use;
- (3) Specific provision(s) of the Plan from which the petitioner is requesting relief;
- (4) Detailed statement as to how the specific provision of the Plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioner complies with this Plan;
- (5) Description of the relief requested;
- (6) Period of time for which the variance is sought;
- (7) Alternative water use restrictions or other measures the petitioner is taking or proposes to take to meet the intent of this Plan and the compliance date;
- (8) Other pertinent information.

The utility will treat all customers equally concerning exemptions, and must take into consideration whether failure to grant a temporary variance will result in an emergency condition that will adversely affect the health, sanitation, safety or welfare of the public or the person requesting such variance. A customer who is refused an exemption or variance may appeal such action of the utility in writing to the Texas Commission on Environmental Quality.

No exemption or variance shall be retroactive or otherwise justify any violation of this Plan occurring prior to the issuance of the variance.

APPENDIX A

COPY OF CUSTOMER NOTIFICATION INCLUDED ON CUSTOMER BILL'S

"An amended Drought Contingency Plan has been submitted to the TCEQ. To request a copy, please call the office."