

SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT

ORDER ADOPTING WATER CONSERVATION PLAN; PROVIDING FOR IMPLEMENTATION AND ENFORCEMENT THEREOF; AND CONTAINING OTHER PROVISIONS RELATED TO THE SUBJECT

The Board of Directors (“Board”) of Southern Montgomery County Municipal Utility District (“District”) met at the Board’s regular meeting place on April 15, 2009, with a quorum of Directors present, as follows:

Kerry Masson, President
Bruce Harrison, Vice President
Albert H. Newton, Secretary
Christine Stebel, Treasurer

and the following absent:

None

when the following business was transacted:

The order set out below was introduced and considered by the Board. It was then moved, seconded and unanimously carried that the following order be adopted:

WHEREAS, the Board of Directors of Southern Montgomery County Municipal Utility District has carefully considered the current water conditions in the District and area-wide and has determined that the adoption of this Water Conservation Plan (the “Plan”) by the District is necessary to ensure that an adequate supply of water is maintained; and

WHEREAS, the Board of Directors of the District desires to evidence its approval of this Plan and to adopt such Plan as the official policy of the District;

NOW, THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT THAT:

Section 1. Approval of the Plan. The Board of Directors of the District hereby approves and adopts this Plan as set forth in this Order, and the provisions of such Plan shall be implemented immediately and enforced as rules of the District.

Section 2. Declaration of Policy, Purpose and Intent. The purpose of the Plan is to promote the efficient and responsible use of water by (1) implementing structural programs that result in quantifiable water conservation results, (2) developing, maintaining and enforcing water conservation policies, (3) adhering to all applicable rules of the Texas Commission on Environmental Quality and/or the Texas Water Development Board and (4) supporting public education programs that educate customers about water and wastewater facilities operations, water quantity and quality, water conservation and non-point source protection.

Section 3. Service Area. Profile data for the District water utility is provided in Appendix “A”. Appendix “A” includes data on the District’s service area, including population and customer data, water use data, water supply system data and wastewater data. The Appendix “A” shall hereafter be updated at least once every five years.

Section 4. Five-year and Ten-year Targets. The District shall use reasonable efforts to reduce water loss and municipal use of water. In doing so, the District has identified the following goals for water savings:

- A. Five-year Target: Within five (5) years of the date hereof, the District shall attempt to reduce the average daily municipal use of water in the District’s service area by 10 gallons per day (“gpd”) per connection and to keep the unaccounted water in the system below 15% annually.
- B. Ten-year Target: Within ten (10) years of the date hereof, the District shall attempt to reduce the average municipal use of water in the District’s

service area by 40 gpd per connection and to keep the unaccounted water in the system below 12% annually.

Notwithstanding the targets identified above, the District shall not be obligated to achieve any water savings in its service area, and the District's failure to do so shall not subject the District to any liability whatsoever.

Section 5. Metering Devices. The District will implement a plan of universal metering of all water delivered by the District, and all such metering devices will be calibrated and/or replaced regularly to ensure reasonable accuracy.

Section 6. Unaccounted Water Usage. The District authorizes the District's operator to implement any reasonable program to determine unaccounted for uses of water and to make recommendations to the District regarding measures to control such unaccounted for uses of water. Such measures may include periodic visual inspections along distribution lines, annual or monthly audits of the water system to determine illegal connections, and investigation of abandoned services. The District's operator shall also establish a program of leak detection, repair, and water loss accounting for the distribution system in order to control unaccounted for uses of water.

Section 7. Continuing Public Education and Information. The District hereby institutes an educational program, to be implemented immediately, to promote the Plan by the general public which may include any of the following:

- A. Publications of articles in a newspaper or newsletter of general circulation in the District's service area, providing information regarding water conservation;

- B. Direct distributions to all customers of the District of educational and informational material regarding water conservation; and
- C. Additional educational activities consisting of (i) conducting an informational school program in a school attended by students within the District's service area, or (ii) conducting an educational program for Users at a public place within or accessible to residents within the service area of the District, or (iii) conducting or engaging in such other informational or educational activity designed to further water conservation measures as, in the discretion of the Board of Directors, may be consistent with the purposes and policies of this Plan, or (iv) any combination of the foregoing.

Section 8. Cost-based Rate Structure. The District hereby acknowledges that it has adopted an increasing block water rate structure, as reflected in Appendix C to the District's Rate Order adopted September 17, 2008 (attached hereto as Appendix "B"), that is intended to encourage water conservation and discourage excessive use and waste of water.

Section 9. Reservoir Systems Operations Plan. The District does not own any reservoirs within a common watershed or river basin and is not required to establish a reservoir systems operation plan.

Section 10. Implementation and Enforcement. Without limitation to specific actions stated in this Plan to be taken by the District's operator, the District's operator will administer and enforce this Plan, and will oversee and be responsible for the execution and implementation of all elements of this Plan. The operator shall report to the Board of the

District, at meetings of the Board, regarding actions taken and which need to be taken under this Plan.

Section 11. Record Management. The District authorizes the District's operator and/or general manager to establish a record management system to record water pumped, water delivery, water sales, and water losses, and which allows for the segregation of water sales and uses into residential, commercial, public and institutional, and industrial user classes.

Section 12. Wholesale Water Customers. The District shall require that each successive wholesale customer develop and implement a water conservation plan or water conservation measures in compliance with all applicable rules of the Texas Commission on Environmental Quality. This requirement will also extend to each successive wholesale customer in the resale of water.

Section 13. Five-year Review. The District shall review and update the Plan every five years, or more frequently, as appropriate, based on an assessment of previous five-year and ten-year targets and any other new or updated information.

Section 14. Coordination with Regional Water Planning Group. The service area of the District is located within the Region H Regional Water Planning Group of the Texas Water Development Board and the District has provided a copy of this water conservation plan to the San Jacinto River Authority.

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Passed, ordered and approved, this.

KERRY MASSON

President

ATTEST:

ALBERT H. NEWTON

Secretary

Appendix “A”

Utility Profile

Appendix "B"

[Appendix C of the District's Rate Order Adopted September 17, 2008]

APPENDIX C
DEPOSITS, CHARGES, FEES, AND RENTALS
Effective as of September 17, 2008

Section 3: System Extensions.

Financial guaranty during one-year period after certificate of completion: \$2,500 or 5 percent of project construction costs, whichever is greater.

Section 4: Re-development—Additions, Re-modeling and Demolitions

Demolition inspection fee: \$150.00

Section 6: Commercial Connector Review Fee.

Commercial Connector Review Fee shown is minimum amount due with filing of the service application with the District.

<i>0 to 1 Acre</i>	<i>\$ 400.00</i>
<i>1+ to 5 Acres</i>	<i>\$ 800.00</i>
<i>5+ to 10 Acres</i>	<i>\$1,500.00</i>
<i>10+ to 50 Acres</i>	<i>\$2,500.00</i>
<i>50+ to 500 Acres</i>	<i>District's cost</i>

Section 8: Petitions for Annexation.

Feasibility study and annexation fee: Feasibility studies and annexations are charged at cost to District. A deposit must be paid when feasibility study is requested. If the annexation is approved, an additional deposit equal to estimated legal and engineering fees must be paid before work will commence.

Section 9: Water and Sewer Tap Fees.

SINGLE FAMILY RESIDENTIAL TAP FEES

WATER: \$900.00

SEWER: \$100.00 plus inspection fee (see Section 11 of the Rate Order for sewer inspection fee schedule)

COMMERCIAL TAP FEES

Actual and reasonable costs to the District for construction and installation of the tap or connection to the District's water and sanitary sewer facilities, including all necessary service lines and meters plus 150% (see Section 11 for inspection schedule).

Section 9: Impact Fees.

Impact Fee I

WATER: \$179.27 per single family equivalent connection

SEWER: \$432.70 per single family equivalent connection

Impact Fee II

\$3,950 per equivalent single family connection (ESFC), with \$1,800 per ESFC payable at the time of annexation (the Infrastructure system Fee), and the balance of \$2,150 per ESFC due at the time the property is platted (the Central Capacity Fee). The District reserves the right to amend Impact Fee II between the time property is annexed and the time it is platted, and the fee due at the time of the platting will be the fee then in effect if it is different from the fee at the time of the annexation.

Section 11: Residential and Commercial Sewer Inspection Fees and Procedures.

A Fifty Dollar (\$50.00) residential sewer inspection fee (for one inspection trip) and a One Hundred Fifty Dollar (\$150.00) commercial sewer inspection fee (for two inspection trips) shall be required, payable with the water and sewer tap fee. If additional inspections are required, a re-inspection fee of \$50 per trip for residential and \$100 per trip for commercial shall be required. Expansions of exterior service lines after the original inspections are completed require an additional permit and inspection. Each re-inspection requires an additional re-inspection fee.

Pre-Construction Inspection and Post-Construction Inspection: A fee of \$50.00 is required for each exterior inspection and re-inspection, payable in advance.

INSPECTION/DAMAGE DEPOSIT: A deposit, as determined by the District Operator, (with a \$1,000 minimum for the builder of a single home and \$2,500 minimum for a builder of multiple homes or a commercial development) shall be made at the time a request for service is made. Return of this deposit shall be made 90 days after receipt by the District Manager of the Engineer's "Certificate of Completion" of the project.

Repair costs for damage done to District facilities: cost plus 10%

Section 12: Temporary Water Service.

Installation fee: \$75.00

Deposit: \$1,200.00

The charge for temporary water service shall be the commercial water rate.

Section 15: Grease Trap Inspections.

For an initial inspection, there will be no charge. For each re-inspection after failure of an initial inspection or after failure of a previous re-inspection, there will be a charge of \$150.00.

Section 17: Deposits.

SERVICE DEPOSIT: A deposit of One Hundred Dollars (\$100.00) shall be required of each single-family home connected to the District's system. A deposit of twice the estimated average bi-monthly water and sewer bill shall be required of all other users. Any resident relocating within the

District or any resident not paying their bill before the second notice period has expired will have their deposit increased to a total of One Hundred Dollars (\$100.00) minimum for the first delinquent payment and an additional Twenty-Five Dollars (\$25.00) for each delinquent payment thereafter up to a maximum of Two Hundred Dollars (\$200.00). All District deposits shall be non-interest bearing deposits as authorized by Section 49.212 Texas Water Code.

Section 18: Water and Sewer Rates

Penalty charge: 10 percent.

Notice Fee: \$5.00.

A. WATER RATES

Water charges are based on a metered rate, billed once every two months. Meters will be read once every two months, and the charge for water service for the two month period shall be as set forth below:

1. For users located within the boundaries of the District:

Single Family Residential:

<i>First 20,000 gallons</i>	<i>\$30.00 (minimum)</i>
<i>20,000 to 40,000</i>	<i>\$1.50 per 1,000 gallons</i>
<i>Over 40,000 gallons</i>	<i>\$1.75 per 1,000 gallons</i>

Senior Citizen Individually Metered Residential:

<i>First 20,000 gallons</i>	<i>\$12.56 (minimum)</i>
<i>20,000 to 40,000</i>	<i>\$1.40 per 1,000 gallons</i>
<i>Over 40,000 gallons</i>	<i>\$1.70 per 1,000 gallons</i>

Commercial:

Each metered unit shall be deemed to be a separate account for the purposes of water service. Charges for water shall be:

<i>First 10,000 gallons</i>	<i>\$35.00 (minimum)</i>
<i>10,000 to 40,000</i>	<i>\$1.75 per 1,000 gallons</i>
<i>Over 40,000 gallons</i>	<i>\$2.25 per 1,000 gallons</i>

Apartments/Multi-family:

Each metered unit shall be deemed to be a separate account for the purposes of water service. Charges for water shall be:

<i>First 10,000 gallons</i>	<i>\$50.00 (minimum)</i>
<i>Over 10,000 gallons</i>	<i>\$1.60 per 1,000 gallons</i>

The Lone Star Groundwater Conservation District has adopted regulatory water use fees for certain well owners in Montgomery County, including the District. The Lone Star Groundwater Conservation District was created by the 2001 Texas legislature pursuant to House Bill 2362 to make and enforce rules to provide for conserving, preserving, protecting, and recharging groundwater to control subsidence or prevent waste and to carry out the powers and duties provided by the Texas Water Code. The Lone Star Groundwater Conservation District is authorized by state law to assess fees to water well owners, including the District, based on the amount of groundwater withdrawn from their wells. In addition to the charges set forth herein, the District shall assess to its customers an additional fee per 1,000 gallons

used equal to the then current water pumpage fee per 1,000 gallons assessed by the Lone Star Groundwater Conservation District plus \$0.01 per 1,000 gallons for administration purposes.

2. Unless otherwise specified by contract, for metered water connections located outside the District boundaries, the charge for water service shall be two times the commercial in-District rate per 1,000 gallons of water used.

B. SANITARY SEWER RATES.

Sewer charges are based upon metered water usage per two month period, billed once every two months.

1. For users located within the boundaries of the District:

Apartments:

The sewer charge per unit per two month billing period shall be \$26.00.

Residential Connection/Single Family Homes within the City of Oak Ridge North and Oak Ridge Forest subdivision:

The charge per two month billing period shall be \$26.00.

Commercial:

Each commercial connection shall be billed \$26.00 for the first 10,000 gallons per two month billing period plus \$1.50 per 1,000 gallons of water consumption in excess of 10,000 gallons per two month billing period. If a commercial connection uses considerably more District water than it discharges into the District's wastewater collection system, then that business unit may request a hearing before the District's approving authority to determine what portion of the water consumed in excess of 10,000 gallons per two month billing period shall be used to determine the monthly sewer bill for that business unit. The District may amend its allocation from time to time as change in circumstances may merit.

2. Unless otherwise specified by contract, for metered sewer connections located outside the District boundaries the charge for sanitary sewer service shall be two times the commercial in-District rate per 1,000 gallons of effluent discharged.

C. SEWER AND SOLID WASTE COLLECTION AND DISPOSAL AND RECYCLABLE MATERIAL COLLECTION RATES:

Sewer and solid waste collection and disposal and recyclable material collection charges are based upon metered water usage per two month period, billed once every two months.

Residential Connection/Single Family Homes except those in City of Oak Ridge North and Oak Ridge Forest subdivision:

The charge per two month billing period shall be \$62.00.

Light Commercial:

Each light commercial connection shall be billed \$62.00 for the first 10,000 gallons per two month billing period plus \$1.50 per 1,000 gallons of water consumption in excess of 10,000 gallons per two month billing period. If a commercial connection uses considerably more District water than it discharges into the District's wastewater collection system, then that business unit may request a hearing before the District's approving authority to determine what portion of the water consumed in excess of 10,000 gallons per two month billing period shall be used to determine the monthly sewer, solid waste collection

and disposal and recyclable material collection bill for that business unit. The District may amend its allocation from time to time as change in circumstances may merit.

Section 19: Disconnection.

Reconnection fee for disconnection at customer's request: \$10 to disconnect and \$10 to reconnect

Reconnection fee for disconnection by District: \$50.00 plus the delinquent bills

Fee for termination at customer's request after hours or on weekends: \$125.00

Section 20: Utility Commitment Letter.

Charge: \$500

Section 25: Returned Payment Devices.

Charge for returned payment devices: \$30.00

I, the undersigned Secretary of the board of directors of Southern Montgomery County Municipal Utility District, hereby certify that the foregoing is a true and correct copy of the order adopting water conservation plan and minute entry showing its adoption at the Board's regular meeting held on April 15, 2009, the originals of which order and minute entry are on file in the minute book of the Board in the District's office.

I further certify that said meeting was open to the public and that notice thereof was posted in compliance with the provisions of Tex. Gov't. Code Ann. § 551.001 et seq.

Witness my hand and the seal of said District, this April 15, 2009.

Secretary