

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

Joint Petition of

**Lake Holiday Estates Utility Company, Inc.
Lake Holiday Country Club, Inc.
and
Aqua Lake Holiday Utilities, Inc.**

Case No. _____

For authority to transfer utility assets and
certificates of public convenience and
necessity pursuant to the Utility Transfers Act
and Utility Facilities Act

JOINT PETITION

Lake Holiday Estates Utility Company, Inc. ("Lake Holiday Utility"), Lake Holiday Country Club, Inc. ("Lake Holiday Country Club") (collectively the "Companies") and Aqua Lake Holiday Utilities, Inc. ("Aqua Lake Holiday") seek approval to dispose of and acquire the utility assets that are used to serve the Lake Holiday subdivision in Frederick County, Virginia. In addition, Lake Holiday Utility seeks approval to transfer its certificates of public convenience and necessity to Aqua Lake Holiday and Aqua Lake Holiday asks that it be authorized to serve the Lake Holiday subdivision. In support thereof, the Joint Petitioners state the following:

The Parties and Proposed Transactions

1. Lake Holiday Utility is a water and sewer company that holds certificates of public convenience and necessity issued by the State Corporation Commission

(“Commission”) to provide water and wastewater services in the Lake Holiday subdivision.¹

Lake Holiday Country Club is the subdivision’s property owners association and owns all of the stock of Lake Holiday Utility. Between Lake Holiday Utility and Lake Holiday Country Club, they own all of the facilities, real estate, and other property used to provide water and sewer services in the Lake Holiday subdivision (which are collectively referred to herein as the “utility assets”).

2. The Lake Holiday subdivision is located at Cross Junction in Frederick County, Virginia and includes approximately more than 2,000 lots. Currently 693 lots have homes constructed on them and are provided with water and sewer services by Lake Holiday Utility. Another 403 lots have water and sewer services available to them and the remaining 1,611 lots do not. The number of new homes being built in the subdivision has increased in recent years and it is expected that several hundred new customers will be connected to the systems over the next five years.

3. It has become apparent in recent years that a sale of the utility assets is needed for proper service to be maintained for this growing subdivision. Lake Holiday Utility does not have the financial capability to meet its financial needs, which includes the cost of repairing, replacing, and upgrading 35-year-old facilities.

4. The future will be even more demanding as significant expenditures will need to be made in the near term for expansions and upgrades of the wastewater treatment plant and the water supply, as well as substantial repairs and replacement of other facilities, such as the lift stations and force mains. Some of these measures have already been commenced and they are estimated to cost \$9 million or more.

¹ Certificate Nos. S-63 and W-191 issued on November 30, 1973.

5. It has also become evident that water and wastewater systems need to be owned by an organization that can professionally manage the systems and which has the expertise and resources necessary to meet the challenges involved in providing quality services to current and future customers. For these reasons, Lake Holiday Utility and Lake Holiday County Club have determined that the utility assets should become part of the operations of Aqua America, Inc. ("Aqua America"), which is the largest U.S. publicly traded water and wastewater holding company. The Companies have entered into purchase agreements with one of Aqua America's Virginia companies - Aqua SL, Inc. ("Aqua SL" or "Purchaser")² - by which they will sell to Aqua SL, or one of its affiliated Aqua America companies, the utility assets (the "Purchase Agreements").

6. Aqua SL has agreed to assign its rights under the Purchase Agreements to one of its affiliates, Aqua Lake Holiday, a new company created by Aqua America to own and operate the utility assets.³ As a result of these transactions, the water and wastewater systems that serve the Lake Holiday subdivision will become part of Aqua America's Virginia operations.

7. In parallel to this action, it became apparent that immediate steps needed to be taken to curb the operating losses being realized by Lake Holiday Utility, which in 2004 was \$225,000.⁴ Lake Holiday Utility could not continue to operate with such losses and immediate rate relief was needed. Accordingly, in November of last year, Lake Holiday Utility

² Aqua SL is a public service company that provides water service to the several subdivisions near Smith Mountain Lake in Franklin County, Virginia. It is a subsidiary of Syndor Hydrodynamics, Inc. which, in turn, is a subsidiary of Aqua Utilities, Inc. Aqua Utilities, Inc. is a subsidiary of Aqua America.

³ Aqua Lake Holiday is a public service company that was created to own and operate the utility assets that serve the Lake Holiday subdivision. Aqua Lake Holiday is a subsidiary of Aqua Utilities, Inc., which, as noted above, is a subsidiary of Aqua America. A copy of the articles of incorporation of Aqua Lake Holiday and the certificate of incorporation issued by the Commission's Clerk's office is attached as Exhibit 1.

⁴ See Lake Holiday Utility annual report to the Commission for the year ended December 31, 2004 at F3 showing a net loss of \$225,018.

gave notice to customers of increases in the water and sewer rates, as well as an increase in one of its connection fees, and those increases became effective on January 1, 2006.⁵

Terms and Conditions of the Purchase Agreements

8. The terms and conditions of the Purchase Agreements require (i) cash payments totaling \$800,000 to be paid at the time of closing, (ii) the purchaser to reimburse Lake Holiday Utility for certain improvements to the water and wastewater systems made up until the time of the closing (with such reimbursement not to exceed \$520,000 and to be reduced by the amount of connection fees paid prior to closing), (iii) the assumption by the purchaser of certain construction contracts for the expansion of the water and wastewater systems, and (iv) a series of payments over 15 years that equal \$76,000 a year.

9. The conditions also include certain actions by the Commission including (i) the approval of the transfer of the utility assets to Aqua Lake Holiday, (ii) authorization for Aqua Lake Holiday to serve the Lake Holiday subdivision, (iii) approval of the rates, fees and charges (including the connection fees and refunds thereof) included in the Purchase Agreements and in the attached Aqua Lake Holiday Rates, Rules, and Regulations, and (iv) a determination of a rate base for Aqua Lake Holiday equal to or greater than the cash payments at closing and the reimbursements described in Paragraph 8 above. The Purchase Agreements are also conditioned upon the receipt from the State Water Control Board and the State Department of Health of all permits required to operate the utility assets.

10. As discussed above, substantial capital expenditures will be required during the first years of ownership of the utility assets by Aqua Lake Holiday. In order to recoup a portion of these costs, the Purchase Agreements provide for the establishment of a \$5,000

⁵ Lake Holiday Utility's Letter to Customers and Notice of Increase of Water and Sewer Rates and Reclamation Fee, November 3, 2005, Exhibit 2.

water connection fee and a \$7,000 wastewater connection fee.⁶ These fees are less than the total connection fees that became effective on January 1, 2006 which collectively total \$16,000.⁷ In view of the extraordinary expenditures that will have to be made at the Lake Holiday subdivision over the next several years, the Aqua Lake Holiday connection fees are fully warranted.

11. The Purchase Agreements also establish the initial rates for Aqua Lake Holiday. These included both a monthly flat rate and metered rates. Currently all services are billed monthly on a flat rate basis and initially that would be the method of billing by Aqua Lake Holiday. Under Aqua Lake Holiday flat monthly rates, customers would be charged \$32 per month for water and \$43 for sewer, as compared to the new rates of Lake Holiday Utility that went into effect on January 1st (\$49.98 for water and \$58.65 for sewer).⁸

12. It is anticipated that after 520 meters have been installed in the subdivision, water services will be billed on a metered basis. Such installations may take one or more years and until then flat rate service will remain. After the change is made from flat rates, as an example, customers that use 230 gallons per day would pay \$50.58 per month for water service under the Aqua Lake Holiday metered water rates,⁹ or about the same amount as under the Lake Holiday Utility water rate that went into effect on January 1, 2006 (\$49.98). Customers who use more than 230 gallons per day would have higher charges for water service. The rates for residential sewer (\$43 per month) would not change as Aqua Lake Holiday would charge that amount for each residential home and "equivalent units." Non-residential sewer customers may

⁶ See Exhibit 3 which shows Aqua Lake Holiday's initial water and sewer rates and connection fees.

⁷ The connection fees for Lake Holiday Estates were \$3,716 for water, \$3,190 for sewer and \$1,962 for the "reclamation fee." The Lake Holiday Utility rates and charges that became effective on January 1, 2006, made no changes to the water and sewer connection fees but the "reclamation fee" was increased to \$9,094. See Exhibit 2. Once the transfer has been completed, the "reclamation fee" will be discontinued as Aqua Lake Holiday does not intend to continue it as a separate fee.

⁸ See Exhibit 2.

⁹ This amount includes the monthly \$32 service charge and \$18.58 for usage above the 3,000 gallon allowance included in the monthly service charge.

be billed on a per “equivalent unit” basis or a metered basis after the 520 meters have been installed.

13. After a period of operations, it is anticipated that the above described rates of Aqua Lake Holiday will be revised to more fully recognize the cost of operations of the water and sewer systems.

14. In connection with the build out of the subdivision, the Purchase Agreements also include a main extension policy that provides for the owner or developer of the lot requesting the extension of the mains to initially pay the cost of such extensions, and for such owner or developer to be reimbursed in the amount of \$1,000 for each intervening lot connected to the extension within five years of the extension being made, up to a maximum of the total cost of the extension. In certain sections of the subdivision, the provision for reimbursement by lot owners connecting to the mains will not apply. Those sections include those in which the lots are predominantly owned by developers who have agreed to forego this reimbursement in order to further the development of the Lake Holiday subdivision.¹⁰

15. This main extension rule will replace the rule that became effective on January 1, 2006 which has no provision for reimbursement for main extensions anywhere in the subdivision.¹¹

Bases for Commission Actions

Utility Transfers Act

16. Chapter 5 of Title 56 of the Virginia Code (the “Utility Transfers Act”) provides for approval of the acquisition or disposition of utility assets if the Commission is satisfied that “adequate service to the public at just and reasonable rates will not be impaired or

¹⁰ Exhibit 4 is Schedule 10.11 from the Purchase Agreements that set forth Aqua Lake Holiday’s main extension policy.

¹¹ See Exhibit 2, Rule 16.

jeopardized by granting the prayer of the petition.” Va. Code § 56-90. There will be no impairment of adequate service at just and reasonable rates by the transfer of the utility assets to Aqua Lake Holiday. Indeed, the change of ownership of the assets will help assure that quality service will be provided to the Lake Holiday customers at reasonable rates.

17. As one of Aqua America’s Virginia companies, Aqua Lake Holiday will have available the substantial resources and expertise of one of America’s premier water and sewer companies. Aqua America has been providing water and wastewater service for over 100 years. Through its various operating companies, Aqua America serves approximately 2.5 million residents in 13 states. In Virginia, Aqua America owns 17 water and wastewater companies and one chilled air company that are regulated by the Commission with respect to their rates and services, as well as a number of private water and wastewater companies that are not classified as “public utilities” for purposes of rate and service regulation. In total, these companies serve approximately 70,000 Virginia residents. In 2004, Aqua America had operating revenues of approximately \$440 million.

18. As its long history and experience demonstrate, Aqua America has the financial, technical, and managerial qualifications that will assure the successful operations of the utility assets that serve the Lake Holiday subdivision. As further evidenced by the substantial investment that it has made in its Virginia companies, Aqua America is dedicated to providing quality services.

19. The acquisition of the utility assets will benefit the Lake Holiday customers in that it will bring to them the expertise and resources that will be needed to invest the capital needed to improve the water and wastewater systems and to meet the ever increasing environmental requirements related to water and wastewater services. Additionally, they will be

further advantaged in that they will gain the economies of scope and scale of a company the size of Aqua America, which should help in offsetting some of the costs involved in providing water and wastewater services.

20. The Aqua Lake Holiday rates included with this Joint Petition will not fully recover the company's cost of service, however, they will lessen some of the operating losses that have been experienced by Lake Holiday Utility. As noted above, a complete review of the rates is expected to be made following a period of operation and any changes proposed at that time will be made in accordance with the standard for reasonable rates established in the Small Water or Sewer Public Utility Company Act, Va. Code §§ 56-265.13:1.

21. In summary, approval of the proposed acquisition will result in the Lake Holiday customers being served by a well experienced organization and an industry leader committed to providing high quality services at reasonable rates.

Utility Facilities Act

22. After the transfer of the utility assets is approved, Aqua Lake Holiday will have the obligation to provide water and wastewater services to the Lake Holiday customers. Accordingly, in addition to approving the acquisition of the utility assets, it is also requested that the certificates of public convenience and necessity issued to Lake Holiday Utility be transferred to Aqua Lake Holiday and that this service area be assigned to Aqua Lake Holiday pursuant to the provisions of the Utility Facilities Act.¹²

23. Such actions are consistent with the "public interest" in that they will assure the continuation of service to the Lake Holiday customers and will allow such customers

¹² Va. Code § 56-265.3.D permits, among other things, the transfer of water and sewer certificates of public convenience and necessity.

to be served by a company that is part of the Aqua America family of companies, a national leader in the provision of water and wastewater services.¹³

24. A copy of the Rates, Rules and Regulations of Aqua Lake Holiday is attached.¹⁴

25. Copies of maps outlining the Lake Holiday service area have not been included with this Joint Petition. Maps showing the service area are attached to the certificates of public convenience and necessity issued to Lake Holiday Utility and it is requested that those certificates be transferred to Aqua Lake Holiday. Thus, there should be no need for filing new maps.

26. Aqua Lake Holiday, as a newly created company, has no financial statements or tax returns.

27. Copies of the water and wastewater permits issued to Lake Holiday Utility are attached and permission to transfer those permits to Aqua Lake Holiday is being requested.¹⁵

Relief Requested

For the reasons stated above, it is respectfully requested that the Commission (i) grant approval for Lake Holiday Utility to sell to and that Aqua Lake Holiday be permitted to acquire the utility assets that serve the Lake Holiday subdivision, (ii) grant approval for Certificates of Public Convenience and Necessity Nos. S-63 and W-191 to be transferred to Aqua Lake Holiday and for Aqua Lake Holiday to serve the area designated by those certificates, (iii) grant approval of the rates, fees and charges (including the connection fees and charges) of Aqua Lake Holiday included with this Joint Petition, (iv) determine a rate base for Aqua Lake

¹³ The standard for issuing or transferring a certificate of public convenience and necessity is if the Commission finds such action is in the public interest or will promote the public interest. Va. Code § § 56-265.3.B. and D.

¹⁴ Exhibit 5.

¹⁵ Exhibits 6 and 7.

Holiday that is equal to purchase price and grant approval of the accounting treatment (including the connection fees and refunds thereof) being proposed by Aqua Lake Holiday, (v) grant approval of the main extension policy of Aqua Lake Holiday included with this Joint Petition, and (vi) such other and further relief as the Commission may deem appropriate.


Respectfully submitted,

LAKE HOLIDAY ESTATES UTILITY COMPANY, INC.


LAKE HOLIDAY COUNTRY CLUB, INC.

AQUA LAKE HOLIDAY UTILITIES, INC.

By


Counsel for Lake Holiday Estates Utility Company,
Inc. and Lake Holiday Country Club, Inc.

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By 
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1001 Haxall Point
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Tel. (804) 697-1217
Fax (804) 698-5111

#1437443

VERIFICATION

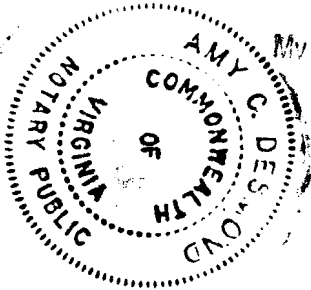
STATE OF Virginia)
)
COUNTY OF Frederick) SS.:

Joseph Marcus, being duly sworn, deposes and says that he/she is the President of Lake Holiday Estates Utility Company, Inc., that he/she has read the foregoing Joint Petition and the content thereof, and that the same is true to his/her knowledge, information and belief.

Joseph Marcus, President
President

Sworn to before me this
24 day of January, 2006.

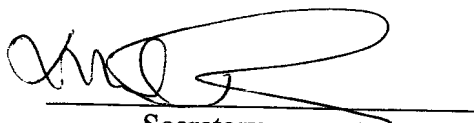
Amy C. Desmorel
Notary Public



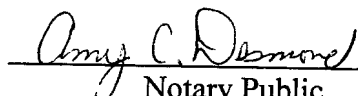
VERIFICATION

STATE OF Virginia)
COUNTY OF Frederick) SS.:

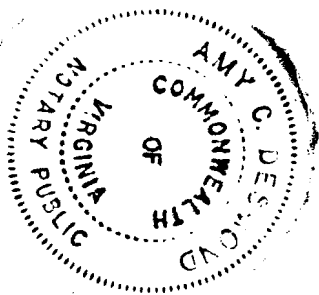
Mike Perry, being duly sworn, deposes and says that he/she is the Secretary of Lake Holiday Estates Utility Company, Inc., that he/she has read the foregoing Joint Petition and the content thereof, and that the same is true to his/her knowledge, information and belief.


Secretary

Sworn to before me this
24 day of January, 2006.


Notary Public

My Commission Expires March 31, 2007



VERIFICATION

STATE OF Virginia)

COUNTY OF Frederick) SS.:

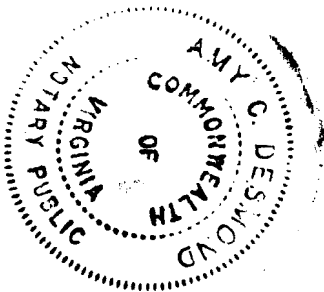
Christopher F. Allison being duly sworn, deposes and says that he/she is the President of Lake Holiday Country Club, Inc., that he/she has read the foregoing Joint Petition and the content thereof, and that the same is true to his/her knowledge, information and belief.

Christopher F. Allison
President

Sworn to before me this
24 day of January, 2006.

Amy C. Desmond
Notary Public

My Commission Expires March 31, 2007



VERIFICATION

STATE OF Virginia)
)
COUNTY OF Frederick) SS.:

Christopher R. Anderson being duly sworn, deposes and says that he/she is the Secretary of Lake Holiday Country Club, Inc., that he/she has read the foregoing Joint Petition and the content thereof, and that the same is true to his/her knowledge, information and belief.

Christopher R. Anderson
Secretary

Sworn to before me this
24 day of January, 2006.

Amy C. Desmond
Notary Public

My Commission Expires March 31, 2007



VERIFICATION

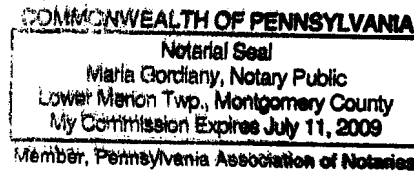
COMMONWEALTH OF PENNSYLVANIA)
)SS.:
COUNTY OF MONTGOMERY)

Mark J. Kropilak, being duly sworn, deposes and says that he is a Vice President of Aqua Lake Holiday Utilities, Inc., that he has read the foregoing Joint Petition and the content thereof, and that the same is true to his knowledge, information and belief.

Mark T. Lipp
Vice President

Sworn to before me this
1 day of February, 2006.

Maria Gordany
Notary Public



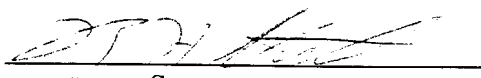
VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)

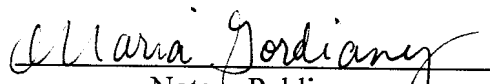
COUNTY OF MONTGOMERY)

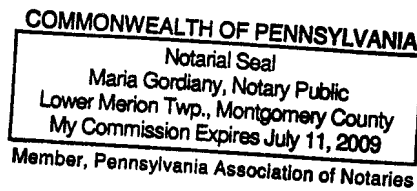
SS.:

Roy H. Stahl, being duly sworn, deposes and says that he is the Secretary of Aqua Lake Holiday Utilities, Inc., that he has read the foregoing Joint Petition and the content thereof, and that the same is true to his knowledge, information and belief.


Secretary

Sworn to before me this
__1__ day of February, 2006.


Notary Public



Commonwealth of Virginia

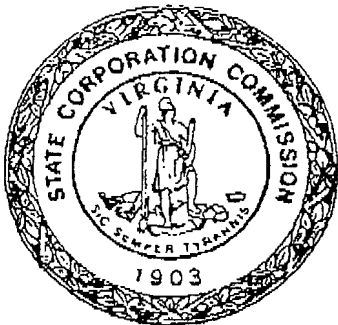


State Corporation Commission

I Certify the Following from the Records of the Commission:

The foregoing is a true copy of the certificate of amendment of Aqua Lake Holiday Utilities, Inc. issued December 20, 2005.

Nothing more is hereby certified.



*Signed and Sealed at Richmond on this Date:
December 22, 2005*

Joel H. Peck

Joel H. Peck, Clerk of the Commission

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 20, 2005

The State Corporation Commission has found the accompanying articles submitted on behalf of
Aqua Lake Holiday Utilities, Inc.

to comply with the requirements of law, and confirms payment of all required fees. Therefore, it
is ORDERED that this

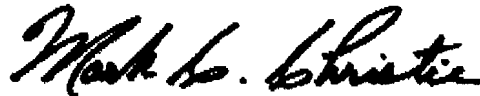
CERTIFICATE OF AMENDMENT

be issued and admitted to record with the articles of amendment in the Office of the Clerk of the
Commission, effective December 20, 2005.

The corporation is granted the authority conferred on it by law in accordance with the articles,
subject to the conditions and restrictions imposed by law.

STATE CORPORATION COMMISSION

By



Commissioner



SCC710
(07/05)

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

ARTICLES OF AMENDMENT -
VIRGINIA STOCK CORPORATION

ARTICLES OF AMENDMENT OF

Aqua Lake Holiday Utilities, Inc.

The undersigned corporation, pursuant to Title 13.1, Chapter 9, Article 11 of the Code of Virginia, hereby executes the following articles of amendment and sets forth:

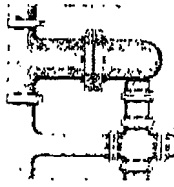
1. The name of the corporation is Aqua Lake Holiday Utilities, Inc.
2. (Set forth the text of each amendment adopted.) #5 The company will be a public service company providing water and wastewater operations.
3. (If an amendment provides for an exchange, reclassification or cancellation of issued shares, set forth the provisions for implementing the amendment if they are not contained in the amendment itself.)
4. The foregoing amendment(s) was (were) adopted on November 15 2005
5. The amendment(s) was (were) adopted by unanimous consent of the shareholders.

Executed in the name of the corporation by

[Signature]
Roy H. Stanl

0646787-2

(date) 11/15/05
Vice President/Secretary
(telephone number (optional))



LAKE HOLIDAY ESTATES UTILITY COMPANY

231 Redland Road, Cross Junction, VA 22625

540-888-3549, fax 540-888-3892

E-mail officelhcc@adelphia.net

November 3rd, 2005

Dear Customer and Fellow Owner at Lake Holiday,

This letter is accompanied by a notice of increase in water and sewer rates, reclamation fees (which is part of the connection fee) and rule amendment and clarification. As you are probably aware, the Utility Company has operated at a deficit for some time. These increases are necessary for it to bring its annual revenue closer to its annual expenses.

Water and sewer rates were increased in 1999 after not having been raised during the previous 25 years. Labor, equipment and installation costs have continued to rise. The present estimated cost for connecting a water line to a new home remains at \$3,716, and the cost to connect a sewer line likewise is still \$3,190. The increase of the "reclamation" part of the fee (which is dedicated to paying for previously expended costs) will address capital improvements for the expansion of the utility system. This will apply to new homes only, of course.

The Rules and Regulations are being amended in order to keep them consistent with these changes in rates and the duties and obligations of the utility company regarding the installation of water and sewer lines.

We welcome your inquiries and look forward to many more new homes in our Lake Holiday community.

The Board of Directors of Lake Holiday Estates
Utility Company

**NOTICE OF INCREASE OF
WATER AND SEWER SERVICE RATES
AND
RECLAMATION FEE**

November 3rd, 2005

Lake Holiday Estates Utility Company will change its water and sewer service rates on file with the State Corporation Commission, effective for service rendered on and after January 1, 2006. The current service rates are \$29.70 per month for water and \$38.43 for sewer. The service rates as of January 1, 2006, will be \$49.98 per month for water and \$58.65 for sewer. The Service Connection fees for new homes shall also be changed to reflect an increased reclamation fee. The Service Connection fees are presently represented as follows: \$3,716.00 for water, \$3,190.00 for sewer and \$1,962.00 for reclamation of cost for waste water treatment plant capacity expansion. As of January 1, 2006, they will be as follows: \$3,716.00 for water, \$3,190.00 for sewer and \$9,094.00 for reclamation of costs associated with the water treatment plant expansion and increased water storage capacity, waste water treatment plant capacity expansion, and the repair and replacement of lift stations.

The Lake Holiday Estates Utility Company also will change the following portions of its rules and regulations of service, effective on the same date:

"Water Rates" shall reflect the increased water service fee of \$49.98 per month for family units without meters.

"Sewerage Rates" shall reflect Minimum Charges of \$58.65 per month for each family unit, or lot.

Rule No. 3:

(f) shall reflect the increased reclamation fee of \$9,094.00.

Rule No. 16:

The Utility Company is not responsible for the installation of additional water and sewer lines. If water and sewer lines, mains and extensions are installed by a developer or other agency, in a manner approved by the Utility Company, the Utility Company shall assume ownership of such line extensions as well as maintenance responsibility for them, and shall provide water and sewer service to any lots able to be connected to those lines.

Any interested party may review the Lake Holiday Estates Utility Company's proposed changes during regular business hours at the utility company's office where the customer bills may be paid.

Any interested person may file written comments in support of or objecting to the proposed changes with the Division of Energy Regulation, State Corporation Commission, P.O. Box 1197, Richmond, Virginia 23218.

LAKE HOLIDAY ESTATES UTILITY COMPANY

Notice given in accordance with 20 VAC 5-200-40.

Aqua Virginia, Inc.

**Aqua Lake Holiday Utilities, Inc.
Rates, Rules and Regulations**

II. SCHEDULE OF RATES & FEES

Applicable in territories served by the Company as specified. Available to all customers in the areas indicated above other than customers purchasing water or sewer for resale. The company reserves the right to limit the total volume of water consumed by any customer per day and/or during peak hours. No connection will be counted as less than one (1) equivalent unit for determining service connection fees.

SERVICE CONNECTION FEES:

1. Water Service Connection Fees:

- | | |
|--|--|
| (a) Single Family Dwelling: | \$5,000.00 |
| (b) Connections other than single residential: | Actual cost, but in no event less than \$5,000.00. |

2. Sewerage Service Connection Fees:

- | | |
|--|--|
| (a) Single Family Dwelling: | \$7,000.00 |
| (b) Connections other than single residential: | Actual cost, but in no event less than \$7,000.00. |

WATER & SEWERAGE RATES:

3. Rates for Metered Water Services:

- | | |
|---|--------------------------|
| (a) Monthly Minimum Service Charge: | |
| Includes 3000 gallons: | \$32.00 |
| (b) For All Water Used over 3000 gallons: | \$ 4.50 per 1000 gallons |

4. Rates for Unmetered Water Services:

Monthly Unmetered:	\$32.00
--------------------	---------

5. Rates for Sewerage Service:

Residential Customers

- | | |
|-----------------------------|-----------------------------|
| (a) Monthly Minimum Charge: | \$43.00 per equivalent unit |
|-----------------------------|-----------------------------|

Non-Residential Customers

Filed:

Effective:

(a)	Monthly Minimum Charge:	\$43.00 per equivalent unit; or, in Aqua Lake Holiday's sole discretion		
(b)	Monthly Minimum Charge:	\$43.00 plus		
	Volumetric Rate (Applicable only to non-residential customers):	<u>Monthly</u>	<u>Quarterly</u>	
	First 5,000 gal.	15,000 gal.	\$1.13/1000 gal.	
	All over 5,000 gal.	15,000 gal.	\$.68/1000 gal.	

12. Late Payment Charge: 1 ½ % per month on unpaid balances

The Virginia State Corporation Commission
Case No.

Schedule 10.11EXTENSION OF MAINS

Rule No. ____ - Extension of Mains.

I. Main Extensions - General

The following terms and conditions shall govern the extension of water mains and the extension of sewer mains in the Lake Holiday Development:

- (a) An application for an extension of the Company's water or sewer mains must be made by a bona fide applicant ("Applicant"), meaning a person or entity that owns one or more lots that desire to take service directly from the main for which extension is requested. The Company may require the Applicant to complete application forms and agreements which the Company shall provide for this purpose.
- (b) The Applicant must initially pay for the main extension and associated inspection costs. This requirement can be accomplished, at the election of the Company, by having the Applicant either: 1) pay a deposit to the Company in an amount sufficient to cover the cost of the work estimated by the Company, subject to a true-up provision that will equalize the final payment with the final cost; or 2) retain a qualified contractor, approved by the Company, to construct the extension pursuant to the conditions and specifications of the Company, along with the requirement that the contractor, upon completion of the work, will provide the Company with a certification confirming the payment of all fees due and owing and a certification of the actual cost of the work. Once installed, the extension shall be the property of the Company.
- (c) The Company reserves the right to determine the size of the pipe necessary in making such extension.
- (d) The cost of a sewer extension shall include any grinder pumps or lift stations associated with that extension, as determined by the Company. The cost of a water extension shall include any booster stations associated with that extension, as determined by the Company.
- (e) The cost of the water extensions shall include the water service line that runs from the main to the curb, along with the curb stop and box. The Company shall provide and install the water meter. The Company shall install a meter pit, if a pit is specified by the Company; otherwise the lot owner shall provide a proper bridge area (including inlet and outlet valve) along the internal piping in the home for the installation of the meter.
- (f) The cost of the sewer extension shall include the sewer lateral from the main to the curb.
- (g) Where the main or extension is to be installed in a private street, if applicable, the owner thereof shall provide, free of cost to the Company, an easement and a free, unobstructed and uninterrupted right of way for the installation, maintenance and extension of the main in such private street.
- (h) If the lot is not located in an area where a road is established, the Company may require that a road be installed in connection with, and as a prerequisite to, the extension of the main and the provision of service.

- (i) When a lot is ready to take service from the main extension, and as a prerequisite to the provision of service, the lot owner must pay the tap fee in the Company's tariffs that is effect at the time of construction.
- (j) When the main is extended in front of, or abutting, other lots that are not owned by the Applicant (herein called "Intervening Lots"), those lots shall become Availability Lots and shall be required, commencing when the main is place in service, to pay the Availability Fee set forth in the tariff of the Company, as that fee is in effect at the time and from time to time thereafter.
- (k) When an Intervening Lot (or Lots) takes service, provided such service commences within 5 years of the date that the main extension is placed in service to the Applicant, the utility shall make a payment to the Applicant in the amount of \$1,000 per each Intervening Lot that connects to the main extension and takes service.

II. Extension of Mains (Sections 1A, 5B, 5C, 7, 9, 10, 11 and 12)

The terms and conditions set forth above as Main Extensions - General shall also apply to the installation of mains in Sections 1A, 5B, 5C, 7, 9, 10, 11 and 12 of the Lake Holiday Development, with the exceptions noted below. These exceptions and rules shall apply to the Lake Holiday LLC and Lake Holiday Land, Inc and Miller and Smith (herein called the "Established Applicant") and any successor or assigns taking title from the Established Applicant or any other entity applying for a main extension in these specified areas:

- (a) The Established Applicant will not be entitled to any payment when Intervening Lots connect to the main extensions installed in these sections, nor will payments for Intervening Lots be made in connection with the main extension that will extend service form Section 8A to Section 9, nor for the extension that will extend service from Section 5B to 5C.
- (b) The Established Applicant shall install the mains with a qualified contractor, subject to the conditions and specification of the Company that require installation in a workmanlike manner in accordance with good utility practice.
- (c) The Established Applicant will be required to provide reasonable land sites to the Company (in open space owned by the Established Applicant, as negotiated by the parties in good faith) for the development of wells and the installation of treatment buildings, tanks, and lift stations, consistent with the Company's plan for expansion into the various quadrants of the development. It is recognized that the failure to provide land sites, or delays in providing those sites, may affect the ability of the utility to provide service to new areas requesting main extensions.

In addition, the Established Applicant owns certain lots in Sections 1A and 7, and shall commence paying Availability Fees and any applicable Utility Assessments on June 1, 2006, for any lot listed below, unless a dwelling has been substantially completed on the lot and is connected to the system:

Section 7 Lots 1167 through 1171

Lots 1172 through 1174 + 1133 + 1134
Lots 1135 through 1139
Lots 1140 through 1142 + 1154 + 1155
Lots 1156 though 1160
Lots 1163 through 1166

Section 1 Lots 1248 through 1252
 Lots 1253, 1256 through 1259

AQUA LAKE HOLIDAY UTILITIES, INC.

d/b/a Aqua Virginia, Inc.

RULES, REGULATIONS AND RATES

For Water & Sewer Services Provided by the Company

in the Lake Holiday Subdivision
in Frederick County, Virginia

Filed:

Effective:

AQUA
Virginia
Richmond, Virginia

**Aqua Lake Holiday Utilities, Inc.
Rates, Rules and Regulations**

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Aqua Lake Holiday Utilities, Inc. Rates, Rules and Regulations

I. GENERAL NATURE OF SERVICE TO BE PROVIDED

The primary purpose of the Aqua Lake Holiday Utilities, Inc. is to provide water and sewerage service to Lake Holiday Country Club, also known as The Summit, in Frederick County, Virginia. These areas consist of year-round residences, vacation homes and community facilities. Aqua Lake Holiday Utilities, Inc. does business as Aqua Virginia, Inc.

1. The utility office is located at:
AQUA LAKE HOLIDAY UTILITIES, INC.
d/b/a/ Aqua Virginia, Inc.
420 GARDEN LANE
PALMYRA, VIRGINIA 22963
2. The telephone number for billing and service questions is (877) WTR – AQUA
(877) 987 - 2782
3. In case of emergency or after hours, call (877) 589 - 6284.

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The Virginia State Corporation Commission
Case No.

**Aqua Lake Holiday Utilities, Inc.
Rates, Rules and Regulations**

II. SCHEDULE OF RATES & FEES

Applicable in territories served by the Company as specified. Available to all customers in the areas indicated above other than customers purchasing water or sewer for resale. The company reserves the right to limit the total volume of water consumed by any customer per day and/or during peak hours. No connection will be counted as less than one (1) equivalent unit for determining service connection fees.

SERVICE CONNECTION FEES:

1. Water Service Connection Fees:

- | | |
|--|--|
| (a) Single Family Dwelling: | \$5,000.00 |
| (b) Connections other than single residential: | Actual cost, but in no event less than \$5,000.00. |

2. Sewerage Service Connection Fees:

- | | |
|--|--|
| (a) Single Family Dwelling: | \$7,000.00 |
| (b) Connections other than single residential: | Actual cost, but in no event less than \$7,000.00. |

WATER & SEWERAGE RATES:

3. Rates for Metered Water Services:

- | | |
|---|--------------------------|
| (a) Monthly Minimum Service Charge: | |
| Includes 3000 gallons: | \$32.00 |
| (b) For All Water Used over 3000 gallons: | \$ 4.50 per 1000 gallons |

4. Rates for Unmetered Water Services:

Monthly Unmetered:	\$32.00
--------------------	---------

5. Rates for Sewerage Service:

Residential Customers

- | | |
|-----------------------------|-----------------------------|
| (a) Monthly Minimum Charge: | \$43.00 per equivalent unit |
|-----------------------------|-----------------------------|

Non-Residential Customers

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(a)	Monthly Minimum Charge:	\$43.00 per equivalent unit; or, in Aqua Lake Holiday's sole discretion			
(b)	Monthly Minimum Charge:	\$43.00 plus			
	Volumetric Rate (Applicable only	<u>Monthly</u>	<u>Quarterly</u>		
	to non-residential customers):	First 5,000 gal.	15,000 gal.	\$1.13/1000 gal.	
		All over 5,000 gal.	15,000 gal.	\$.68/1000 gal.	

6. Grinder Pump Maintenance Service Fees: \$5.00 per month

7. Minimum Charges for Water and Sewerage Service:

No bill will be rendered for less than the minimum charges. The minimum charges shall become effective when the water and sewerage service is connected to the lot. If a metered or unmetered connection is made inactive, then the minimum charges will be as defined in Sections 3(a), 4 and 5(a) above.

8. Availability Fees for Vacant Lots: \$10.00 per month Water
\$10.00 per month Sewer

9. Transfer of Service Charges: \$30.00

10. Turn on Charges: \$50.00 during regular business hours
\$100.00 after 4 pm or on weekends, holidays

11. Returned Check Charge: \$20.00

12. Late Payment Charge: 1 ½ % per month on unpaid balances

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III. RULES & REGULATIONS

The Rules and Regulations as herein set forth, or as they may hereafter be revised with approval of the State Corporation Commission, shall govern the rendering of water and sewerage service, including the extension of mains and the making of connections thereto, and every customer and/or owner upon making application for any service rendered by the Company, or upon the taking of water or sewerage services, shall be bound thereby.

RULE NO. 1 - DEFINITIONS

- (a) A "Water Service Connection" is the water service line and the outlet (curb or yoke valve or yoke) connecting the Company's water main or lateral to a customer's service line to their premises. Where meters are installed it includes the meter and meter equipment.
- (b) A "Sewerage Service Connection" is a pipe connecting any premises with the Company's sewerage transmission main or lateral.
- (c) "Premises" as used herein shall mean the lot or parcel of land upon which is situated a single family dwelling, a single commercial establishment or community facility, a single multiple dwelling, or in the case of a multiple dwelling where authorized by the Company, the individual units within such a multiple dwelling.
- (d) "Customer" as used herein is any party who has applied for and is receiving water or Sewerage service at premises or has contracted with the Company for such service in the future. Where the customer is not the owner of the premises, then the responsibilities of the customer as governed in this document shall pass to the owner.
- (e) "Company" as used herein is Aqua Lake Holiday Utilities, Inc.
- (f) "Normal Household Requirements" as used herein shall mean indoor water usage for normal cooking and sanitary purposes only.
- (g) An "Equivalent Unit" as used herein shall mean, for customers that are not residential homes, the peak daily usage (based on measurements or reasonable estimates of utilization capacity) divided by 230 gallons. Thence, the minimum monthly rate applicable to such customer shall be determined by multiplying the number of equivalent units associated with the customer (no less than 1) by the rate applicable to each equivalent unit. A single family home shall be one equivalent unit.
- (h) "Unapproved Source" shall mean any water source or storage facility which is not approved by the Virginia Department of Health.
- (i) "Inactive Connection" as used herein is any water service connection which is not being used by the customer to provide water service regardless of the reason.
- (j) "Termination of Service" as used herein shall mean the disconnection and permanent loss of water or sewerage service to a premise.

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- (k) "Commercial Usage" as used herein shall mean all non-residential uses.
 - (l) "Owner" as used herein is any party who is the legal owner of the premises which Aqua is providing water and/or sewer service.
 - (m) "Water Service Outlet" as used herein shall mean the yoke, yoke valve (including the meter) or curb stop as provided by the Company. Where a yoke, yoke valve or curb stop is not provided, then it shall mean the tapping saddle at the main.
 - (n) "Grinder Pump" as used herein shall mean an individual residential or commercial pre-packaged pump station to move sewage from premises to the Company's transmission main which is located at a higher elevation than the Customer's sewerage outlet.

RULE NO. 2 – AVAILABILITY

As soon as water service is available to a parcel of real estate, the lot purchaser shall pay a water service availability fee to the Company of \$10.00 per month for each parcel (as determined by the recorded subdivision plat) until water service is purchased in fact. As soon as sewerage service is available to a parcel of real estate, the owner shall pay a sewerage service availability fee of \$10.00 per month for each parcel until sewerage service is purchased in fact. Water and sewerage service shall be deemed to be available from the date operating mains are ready for operation and located adjacent to or in the immediate vicinity of a premises, whether or not any connection has been made.

RULE NO. 3 – SERVICE CONNECTIONS

- (a) Before water or sewerage service connections are provided, the owner of the premises to be supplied, or his duly authorized representative, shall make application for water and/or sewerage service upon forms prescribed by the Company. Upon approval of the application, payment of the connection fees, and the providing of any necessary easements or right-of-ways, the Company will install the service connections.
- (b) The Company will maintain all water service connections from the main in the street to the meter box where meters are installed and from the mains in the street to the lot line where meters are not installed. All sewerage connections from the transmission main in the street to the lot line will be maintained by the Company.
- (c) In the event additional equipment is necessary in order to transmit, transfer or otherwise move waste generated by the premises to the transmission main in the street, the customer shall be responsible for the installation, according to Company specifications, and shall own all such equipment. All grinder pumps will be installed in a utility easement, provided by the customer, for the purpose of Company access to the grinder pump for maintenance, repair or replacement. The Company reserves the right to determine the location of the sewerage service connection, grinder pump locations and characteristics of any easements if required. The Company will make all connections to its mains and will specify the size, kind and quality of all materials entering into the water service connection.

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- (d) The corporation cock, curb stop, yoke valve, yoke, meter, meter box and service pipe from the water main to the service outlet, and sewerage pipes from the transmission main to the customer's property line will be furnished by and shall remain the property of the Company and under its sole jurisdiction. Meters will be installed in a utility easement, provided by the customer, which is adjacent to and parallel to the water main or highway right-of-way; or in a public right-of-way. The company reserves the right to determine the location of the meter and service connection and characteristics of any easements if required.
- (e) Any damage done to the water or sewerage service connection by the customer or his agents will be repaired by the Company at the expense of the customer.

RULE NO. 4 – CUSTOMER SERVICE PIPES

- (a) The Company will specify the size, kind and quality of the materials which shall be laid between the service outlet and the structures on the premises.
- (b) The water service pipe from the service outlet to the place of consumption and the sewerage pipe from the Company's sewerage main or lateral to the premises shall be furnished and installed by the customer at his expense and risk.
- (c) The customer's service pipes and all connections and fixtures attached thereto may be subject to the inspection and approval of the Company before the water will be turned on or sewerage service provided.
- (d) The customer's service pipes shall be laid at all points at least three feet below the surface of the ground and shall be installed in trenches at least two feet in a horizontal direction from any other trench wherein are laid gas pipe, service pipe, or other facilities, public or private, unless otherwise specifically authorized by the Company. In backfilling the trench, rock or ashes shall not be permitted within one foot of a service pipe and clean soil shall be filled in to a depth of at least one foot over a service pipe.
- (e) The customer shall install a clean out of a type approved by the Company on the sewerage service pipe immediately inside the property line, and so located as to be easily accessible to the occupants and to provide proper drainage for all of the pipe lines in the building. The customer shall install a stop and waste cock on the water service pipe immediately inside the foundation wall of the building supplied, and so located as to be easily accessible to the occupants for the purpose of customers shutting off water service to the building. Valves located at the street are for the exclusive use by Company personnel or their agents.
- (f) No fixture shall be attached to any branch made in the service pipe between the meter, lot line, or sewerage service connection point and the street mains.
- (g) Any repairs, maintenance, replacement or relocation necessary on the customer's water or sewerage service pipes or fixtures in or upon the customer's premises shall be performed by the customer at his expense and risk in a manner approved by the Company.

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RULE NO. 5 – CROSS-CONNECTIONS AND BACK SIPHONAGE

- (a) The plumbing on all premises supplied from the Company's water system shall conform to the Commonwealth of Virginia Sanitary Code, and any Sanitary Code of Frederick County which may be applicable.
- (b) The Company will operate a continuing cross-connection control and backflow prevention program as required by the Commonwealth of Virginia Waterworks Regulations. Upon request the customer shall furnish the Company pertinent information regarding the piping system on the premise. If this information indicates a possible source of contamination, the customer shall have installed at his expense the proper cross-connection and backflow prevention assemblies. The customer shall submit proof satisfactory to the Company that this has been done. Failure to install appropriate cross-connection and backflow prevention assemblies may result in termination of water service.
- (c) Each customer who has installed a backflow prevention device or low pressure cut-off device shall submit proof annually or as requested by the Company that the device has been thoroughly inspected and tested for proper operation in accordance with approved methods. Failure to provide satisfactory proof may result in termination of water service.
- (d) No water service will be provided to a premise to which an unapproved water source is or may be connected. If reasonable cause exists that an unapproved source is connected to an existing customer's water service, then upon notification by the Company water service shall be terminated to the premises unless the customer certifies to the satisfaction of the Company that there is no unapproved source or the unapproved source has been disconnected. The Company may request that the Owner or Customer allow company personnel to inspect the premises to determine that appropriate action has been taken. Refusal by the customer or owner to allow an inspection will result in termination of water service.
- (e) Where the customer is not the owner of the premises, then documentation may also be required from the owner in addition to the customer.

RULE NO. 6 - METERS & METER INSTALLATIONS

- (a) The Company shall determine the type and size of any meter to be installed.
- (b) Meters will be furnished, installed and removed by the Company and shall remain its property.
- (c) Meters will be maintained by the Company at its expense, except damage to any meter due to causes arising out of or caused by negligence or carelessness of the customer or his agent shall be the responsibility of the customer.
- (d) The customer receiving water through a meter shall promptly notify the Company of any defect in or damage to the meter or its connection.

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- (e) If the customer requests a larger size meter than would ordinarily be installed, the Company will comply, provided the customer pays the additional cost of installing the larger meter plus the incremental connection fee costs between the requested size and the ordinary sizes as determined by maximum theoretical meter flow rates and facility costs.
 - (f) The Company at its sole discretion may upgrade a water service connection from an un-metered to a metered connection and begin billing for water based on the metered rate.

RULE NO. 7 - METER TESTS AND TEST FEES

- (a) All meters shall be accurately tested before installation. Meters shall also be periodically tested in accordance with the State Corporation Commission's Regulations. The Company may at any reasonable hour remove any meter for routine tests, repairs or replacement.
- (b) Meters shall be considered accurate if a test reveals it to have an AWWA Standard average error of less than five (5) percent.
- (c) The Company will, upon written request of the customer and evidence of a significant variation in water used by the customer, test the meter using Company equipment at no charge if it has not been tested within the last two years. Otherwise, the customer will be charged a testing fee as identified in paragraph (d) below. This test shall be made in the Customer's presence or that of an authorized agent if the Customer so desires. A written report of the results of the test will be furnished to the customer.
- (d) The Company will, upon the deposit with the Company by a customer of \$40.00, have the meter serving the customer's premises tested by an independent party subject to the following understanding:
 - 1) If the meter is found to be operating within the aforementioned standards, it will be restored to service and the deposit of \$40.00 will be retained by the Company for costs incurred by the Company in having the meter tested.
 - 2) If the meter is found to over register in relation to the aforementioned standards, it will be replaced and the deposit of \$40.00 will be refunded by the Company to the customer. The Company shall refund to the customer the overpayment for water usage as indicated by water consumption for the previous six months, unless it can be shown from the records of either party that the error found has existed for a greater or lesser period, in which case the adjustment shall cover such actual period.
 - 3) If the meter is found to under register in relation to the aforementioned standards, it will be replaced and the deposit of \$40.00 will be retained by the Company. The Company shall charge the customer the underpayment for water usage as indicated by water consumption for the previous six months, unless it can be

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shown from the records of either party that the error found has existed for a greater or lesser period, in which case the adjustment shall cover such actual period.

RULE NO. 8 – GRINDER PUMPS INSTALLATIONS AND MAINTENANCE

- (a) The Company shall determine the type and location of any grinder pump to be installed.
- (b) Grinder pumps will be owned by the property owner that it serves. In certain cases, more than one homeowner may be served by the same grinder pump, and, therefore, those homeowners jointly own that pump.
- (c) In the event a grinder pump is not working properly (including overflow at the pump, a backup in the line, or the sounding of an alarm connected to the grinder pump system), the owner(s) shall promptly advise the Company of that fact.
- (d) Grinder pumps will be maintained by the Company at its expense, except damage to any grinder pump due to causes arising out of or caused by negligence or carelessness of the customer or his agent which shall be the responsibility of the customer. Following such work by the Company, the ownership of any new parts or a new grinder pump shall reside with the customer.
- (e) The Company shall be entitled to charge a fee to each customer that owns a grinder pump. This fee is as stated in #6 of the Schedule of Rates and Fees. This fee may be added to the regular utility bill.
- (f) The initial installation of a grinder pump shall be the responsibility of the owner and/or the builder. All new grinder pumps shall be installed in accordance with Company specifications. All grinder pumps will be installed in a utility easement, provided by the customer, for the purpose of Company access to the grinder pump for maintenance, repair or replacement.
- (g) Once properly installed, as noted above, if a grinder pump needs to be replaced due to age or failure to work properly, Aqua shall replace, at the Company's expense, any grinder pump for any customer.

RULE NO. 9 – ACCESS TO PREMISES

- (a) The customer shall grant the Company any right-of-way or easement it requires for installation, construction, service maintenance, connection and disconnection and inspection of the system.
- (b) The service lines, meters, grinder pumps and fixtures on the customer's premises, including service lines and outlets within the customer's building, shall be accessible to the Company for observation or inspection at reasonable hours.
- (c) If a customer or owner refuses to permit an agent of the Company to enter on his premises to service the system as specified in Rule #11, Discontinuance of Water Service, (a) 5, the Company may disconnect the property owner's premises from the system if connected. The Company will not provide service to this property owner until

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he has reimbursed the Company for any added expenses incurred as a result of his refusal to permit entry to his property and allow access to the property.

RULE NO. 10 – CUSTOMER DEPOSITS

- (a) The Company may at any time require of any customer a cash deposit or other suitable guarantee to secure the performance by the customer of the terms and conditions of the Company under which water is supplied. The amount of the deposit shall be determined in the following manner:

An amount equal to the estimated bill for one regular billing period.

- (b) The deposit will be refunded after final settlement of the customer's account or whenever the Company deems the customer's credit satisfactorily established, up to a maximum of one year of satisfactory credit.
- (c) Interest paid on deposits will run from the date the deposit is received until refunded. The interest rate will be the rate determined by the State Corporation Commission in January of each year.
- (d) If the required deposit exceeds the sum of \$40.00, the customer will be permitted to pay it in three consecutive equal monthly installments.

RULE NO. 11 - DISCONTINUANCE OF WATER SERVICE:

- (a) Water service may be discontinued by the Company after five (5) day's written notice for any of the following reasons:
1. For willful or indifferent waste of water due to any cause.
 2. For use of water at an unmetered household connection for other than normal household requirements.
 3. For failure to protect and maintain the service pipe or fixtures on the premises of the customer in a condition satisfactory to the Company.
 4. For molesting or tampering by the customer, or others with the knowledge of the customer, with any meters, connection, service pipe, meter cock, seal, or any other appliance of the Company controlling or regulating the customer's water supply or sewerage service.
 5. For failure to provide the Company's employees free and reasonable access to the premises supplied, or for obstructing the way of ingress to the meter or other appliances controlling or regulating the customer's water supply or sewerage service.
 6. For non-payment of any account for water supplied, for water service, or for any fee or charge accruing under these Rules and Regulations and the effective Schedule of Rates.

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- 7. For violation of any rule or regulation of the Company.
 - 8. For failure to comply in any way with the Company's cross-connection and backflow prevention control program.
 - (b) Water service may be discontinued immediately and without notice at the sole discretion of the State or local Health Department or the Company if there is a potential or existing health risk to the water system customers.
 - (c) Discontinuing the supply of water to a premises for any reason shall not prevent the Company from pursuing any lawful remedy by action at law or otherwise for the collection of moneys due from the customer.
 - (d) When water or sewerage service to a premises has been discontinued for any of the above stated reasons, it will be renewed only after the conditions circumstances or practices which caused the water service to be discontinued are corrected to the satisfaction of the Company, and upon payment of all charges against the premises due and payable in accordance with these Rules and Regulations and the effective Schedule of Rates or arrangements for payment that are satisfactory to the Company.
 - (e) The customer shall notify the Company when the premises are vacant and the water service discontinued. Minimum Charges to retain water service as outlined in the Rates Section will not stop unless the owner requests that water service be terminated.

RULE NO. 12 – TRANSFER OF SERVICE:

When a new customer requests that an account for water service be transferred into their name, then a service charge of \$30.00 will be applied to the new account to cover administrative costs. This charge will include the transfer of the sewerage account.

RULE NO. 13 – TURN ON CHARGE:

- (a) When it has been necessary to discontinue water and/or sewerage service to any premises because of a violation of these Rules and Regulations, or because of non-payment of any bill, or when water service has been discontinued at the request of the customer, a charge of \$50.00 may be made for turning on the water. This charge, together with any arrears that may be due the Company for charges against the premises, must be paid before the water and sewerage service will be resumed.
- (b) If at the time of such discontinuance of service for nonpayment of a bill, the customer does not have a deposit with the Company, the Company may require a deposit as a guarantee of the payment of future bills, as set forth in Rule No. 10, Customer Deposits, before service will be resumed.
- (c) If, at the request of the customer, the reconnection is made after 4:00 p.m. on weekdays, or at night, or on the weekend, or a holiday, then the charge will be \$100.00 provided Company personnel are available.

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RULE NO. 14 – BILLS FOR WATER SERVICE:

- (a) Customers are responsible for furnishing the Company with their correct address. Failure to receive bills will not be considered an excuse for non-payment nor permit an extension of the date when the account will be considered delinquent.
- (b) If bills are to be sent to an address other than the premises served, the Company should be notified in writing by the customer of any change of address.
- (c) If requested in writing by the customer (in a form acceptable to the Company), the Company may send bills to, and may receive payments from, agent or tenants. However, this accommodation will in no way relieve the customer of the liability for all charges, and the Company shall not be obligated to notify the customer of the non-payment of bills by such agents or tenants. Water service to a property may be denied if the customer refuses to acknowledge liability for charges against the property. Bills may not be sent to agents or tenants, or water service turned on or continued at the premises without the authorization of the customer.
- (d) Payments shall be made by mail to the office of the Company or to such other place conveniently located and designated by the Company.
- (e) The Company reserves the right to correct any bills endorsed in error as to the service supplied.
- (f) Each "Premises" as described in Rule No. 1(b) shall be billed separately for service.
- (g) In those cases where meters are installed, if the meter should fail to register for any reason, or if the meter reader should be unable to gain admittance to the premises at the time the meter is due to be read, an estimated bill will be submitted. Such bill shall be based on an average of the consumption shown by three (3) previous consecutive billing periods, or, in the case of a new customer, where previous consumption cannot be so used for computing average consumption, reasonable estimated consumption shall be utilized.
- (h) Bills for metered and unmetered service will be issued in arrears of water and sewerage usage. The period of time covered by these bills will be determined by the Company and shall be no less than one month.

RULE NO. 15 – TERMS OF PAYMENT:

- (a) The Company shall allow the customer 21 days from the date on which bills are mailed to pay all charges due against the customer's account before initiating any proceeding against the customer for non-payment of service.
- (b) If a bill is not paid within (5) days after written notice properly given by the Company to the customer of record, service may be discontinued and the meter and service equipment removed by the Company, and the deposit, if any, may be applied against such bill and any other arrears due by the customer. If a bill is not paid within six (6) months after service has been discontinued, then the Company may initiate

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proceedings to terminate service as outlined in Rule No. 11, Discontinuance of Water Service.

RULE NO. 16 – BAD CHECK CHARGE:

The Company shall have the right to assess a bad check charge of \$20.00 for every check returned to it unpaid by the bank.

RULE NO. 17 – CHARGES FOR LATE PAYMENT:

If a bill is not paid by the due date as indicated on the water bill, the Company will charge one and one-half percent (1-1/2%) per month late payment charge on the unpaid balance. Appropriate calculation of this late payment charge shall be made at the time of each successive, usual billing date, and the amount of such charge included as a separately identified item upon the current bill. The charge for late payment shall be calculated from the billing date. Payments will be applied to Late Payment charges first.

RULE NO. 18 – ABATEMENTS AND REFUNDS:

There shall be no abatement of the minimum rates in whole or in part, by reason of the extended absence of the customer, and no abatement shall be made for leaks or for water wasted by improper or damaged service pipes or fixtures belonging to the customer; except, however, that in the case of an underground leak, an adjustment may be made for fifty percent (50%) of the amount of excess in a water bill due to this cause, based on an average of the previous three (3) consecutive periodic bills, provided customer promptly and properly repairs such leak when detected. Only one adjustment within a two-year period will be allowed.

RULE NO. 19 – PRESSURE & CONTINUITY OF SUPPLY; DAMAGE TO PREMISES OR PROPERTY:

- (a) The Company may at any time shut off water service in case of accident, or for the purpose of making connections, alterations, repairs, changes, or for other reasons, and may restrict the use of water to reserve a sufficient supply for public fire service or other emergencies whenever the public welfare may require it.
- (b) While it is the intention of the Company to give notice in advance of any work which must be done that will necessitate any interruption of water service, such notice is to be considered an accommodation, and not a requirement on the part of the Company. Owners should so regulate their installations connected with the water system that damage to their premises will not occur if water is shut off without notice.
- (c) The Company does not guarantee a sufficient or uniform pressure, or an uninterrupted supply of water, and customers are cautioned to provide sufficient storage of water

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where an absolutely uninterrupted supply must be assured, such as for steam boilers, domestic hot water systems, gas engines, etc.

- (d) In high level sections where pressure is low the customer shall, if he desires a higher pressure than that furnished at the mains of the Company, install at his own expense a tank and/or booster pump, of a type and installation approved by the Company. This equipment shall be installed in such a manner that a negative pressure can not be induced on the Company's facilities at any time.
- (e) Where the pressure to a customer's premises is greater than he wishes, it shall be his responsibility to install the proper regulating device to reduce the pressure to the extent desired.
- (f) The Company is not responsible for any damage caused by the customer's failure to protect his installation against the potential dangers of water under pressure.
- (g) The Company is not responsible for damage to the customer's property caused by freezing of water in the pipes, or for any subsequent damage from water under pressure.
- (h) The Company is not responsible for any damage to the customer's property caused by interruptions in the supply of water.
- (i) The Company is not responsible for any damage to the customer's premises or property due to emergency work or natural upset on the system which may result in discolored water or the transport of foreign matter into a customer's plumbing.
- (j) The Company will undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in the service, but it cannot and does not guarantee that such will not occur. Customers are cautioned to provide sufficient storage of water where an absolutely uninterrupted supply must be assured.

RULE NO. 20 – EXTENSION OF MAINS:

I. Main Extensions - General

The following terms and conditions shall govern the extension of water mains and the extension of sewer mains in the Lake Holiday Development:

- (a) An application for an extension of the Company's water or sewer mains must be made by a bona fide applicant ("Applicant"), meaning a person or entity that owns one or more lots that desire to take service directly from the main for which extension is requested. The Company may require the Applicant to complete application forms and agreements which the Company shall provide for this purpose.
- (b) The Applicant must initially pay for the main extension and associated inspection costs. This requirement can be accomplished, at the election of the Company, by having the Applicant either:

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1. Pay a deposit to the Company in an amount sufficient to cover the cost of the work estimated by the Company, subject to a true-up provision that will equalize the final payment with the final cost; or
 2. Retain a qualified contractor, approved by the Company, to construct the extension pursuant to the conditions and specifications of the Company, along with the requirement that the contractor, upon completion of the work, will provide the Company with a certification confirming the payment of all fees due and owing and a certification of the actual cost of the work. Once installed, the extension shall be the property of the Company.
- (c) The Company reserves the right to determine the size of the pipe necessary in making such extension.
- (d) The cost of a sewer extension shall include any grinder pumps or lift stations associated with that extension, as determined by the Company. The cost of a water extension shall include any booster stations associated with that extension, as determined by the Company.
- (e) The cost of the water extensions shall include the water service line that runs from the main to the curb, along with the curb stop and box. The Company shall provide and install the water meter. The Company shall install a meter pit, if a pit is specified by the Company; otherwise the lot owner shall provide a proper bridge area (including inlet and outlet valve) along the internal piping in the home for the installation of the meter.
- (f) The cost of the sewer extension shall include the sewer lateral from the main to the curb.
- (g) Where the main or extension is to be installed in a private street, if applicable, the owner thereof shall provide, free of cost to the Company, an easement and a free, unobstructed and uninterrupted right of way for the installation, maintenance and extension of the main in such private street.
- (h) If the lot is not located in an area where a road is established, the Company may require that a road be installed in connection with, and as a prerequisite to, the extension of the main and the provision of service.
- (i) When a lot is ready to take service from the main extension, and as a prerequisite to the provision of service, the lot owner must pay the tap fee in the Company's tariffs that is effect at the time of construction.
- (j) When the main is extended in front of, or abutting, other lots that are not owned by the Applicant (herein called "Intervening Lots"), those lots shall become Availability Lots and shall be required, commencing when the main is place in service, to pay the Availability Fee set forth in the tariff of the Company, as that fee is in effect at the time and from time to time thereafter.
- (k) When an Intervening Lot (or Lots) takes service, provided such service commences within 5 years of the date that the main extension is placed in service to the Applicant, the utility shall make a payment to the Applicant in the amount of \$1,000 per each Intervening Lot that connects to the main extension and takes service.

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II. Extension of Mains (Sections 1A, 5B, 5C, 7, 9, 10, 11 and 12)

The terms and conditions set forth above as Main Extensions - General shall also apply to the installation of mains in Sections 1A, 5B, 5C, 7, 9, 10, 11 and 12 of the Lake Holiday Development, with the exceptions noted below. These exceptions and rules shall apply to the Lake Holiday LLC and Lake Holiday Land, Inc and Miller and Smith (herein called the "Established Applicant") and any successor or assigns taking title from the Established Applicant or any other entity applying for a main extension in these specified areas:

- (a) The Established Applicant will not be entitled to any payment when Intervening Lots connect to the main extensions installed in these sections, nor will payments for Intervening Lots be made in connection with the main extension that will extend service from Section 8A to Section 9, nor for the extension that will extend service from Section 5B to 5C.
- (b) The Established Applicant shall install the mains with a qualified contractor, subject to the conditions and specification of the Company that require installation in a workmanlike manner in accordance with good utility practice.
- (c) The Established Applicant will be required to provide reasonable land sites to the Company (in open space owned by the Established Applicant, as negotiated by the parties in good faith) for the development of wells and the installation of treatment buildings, tanks, and lift stations, consistent with the Company's plan for expansion into the various quadrants of the development. It is recognized that the failure to provide land sites, or delays in providing those sites, may affect the ability of the utility to provide service to new areas requesting main extensions.

In addition, the Established Applicant owns certain lots in Sections 1A and 7, and shall commence paying Availability Fees and any applicable Utility Assessments on June 1, 2006, for any lot listed below, unless a dwelling has been substantially completed on the lot and is connected to the system:

Section 7 Lots 1167 through 1171
 Lots 1172 through 1174 + 1133 + 1134
 Lots 1135 through 1139
 Lots 1140 through 1142 + 1154 + 1155
 Lots 1156 through 1160
 Lots 1163 through 1166

Section 1 Lots 1248 through 1252
 Lots 1253, 1256 through 1259

RULE NO. 21 – GENERAL:

- (a) No person shall turn the water on or off at any street valve, corporation cock, meter cock or other connection, or disconnect or remove any meter or disturb any connection

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- pipe or service line without the consent of the Company. Penalties provided by law for any such unauthorized action will be rigidly enforced. Charges for estimated water use, investigation costs and administrative charges may also be applied and required to be paid prior to water service being reinstated.
- (b) No employee or agent of the Company shall have the right or authority to bind it by any promise, agreement or representation contrary to the letter or intent of these Rules and Regulations.
 - (c) Where the customer is not the owner of the premises, then the responsibilities of the customer as governed in this document shall pass to the owner.
 - (d) Failure of the Company to enforce any provision of this tariff does not affect the enforcement or legal status of any other provisions of this tariff.
 - (e) Any complaint against the service or employees of the Company should be made at the office of the Company and preferably in writing.

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COMMONWEALTH OF VIRGINIA
DEPARTMENT OF HEALTH
DIVISION OF WATER SUPPLY ENGINEERING

WATERWORKS OPERATION PERMIT

Lake Holiday Estates Utility Company, Inc., Is Herby Granted Permission To Operate a community Waterworks Having a Design Capacity of 0.326 million gallons per day for the Summit Located In Frederick County In Accordance With the Provisions of Title 32.1, Chapter 6, Article 2, Sections 32.1 - 172 and 173, *Code of Virginia*, as Amended, and 12 VAC 5-590-190 of the *Waterworks Regulations* of the Virginia Department of Health, As Amended. This Permit Is Issued In Accordance With Previously Issued Permits No. 2191 and 2069650 Amended dated 21 July 1997 (see attached engineering description sheet dated 5 September 2000) And With The Understanding That This Owner Will Operate the Waterworks in Accordance with Part II, "Operation Regulations for Waterworks", of the *Waterworks Regulations* of the Virginia Department of Health and any Variances and/or Exemptions Noted Below.

Variances and/or Exemptions Granted (X) None () See Attached

An Engineering Description Sheet Is Attached Dated 5 September 2000

PERMIT NO. 2069650

EFFECTIVE DATE 5 September 2000

EXPIRATION DATE _____

RECOMMENDED

[Signature]
 Director, Division of Water Supply Engineering

RECOMMENDED

(Acting) *[Signature]*
 Director, Office of Water Program

APPROVED

[Signature]
 State Health Commissioner



COMMONWEALTH of VIRGINIA
DEPARTMENT OF ENVIRONMENTAL QUALITY

Valley Regional Office

W. Tayloe Murphy, Jr.
Secretary of Natural Resources

Street address: 4411 Early Road, Harrisonburg, Virginia 22801
Mailing address: P.O. Box 3000, Harrisonburg, Virginia 22801-9519
Telephone (540)574-7800 Fax (540)574-7878
www.deq.state.va.us

Robert G. Burnley
Director

R. Bradley Chewning, P.E.
Valley Regional Director

September 18, 2003

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Mr. John L. Fastnaught, President
Lake Holiday Estates Utility Company, Inc.
231 Redland Road
Cross Junction, VA 22625

Re: Reissuance, Permit No. VA0027642
Summit STP

Dear Mr. Fastnaught:

The enclosed permit has been approved. This permit action involved reissuing an existing permit to discharge treated sewage wastewater, with the addition of a 0.32 MGD expansion tier. In accordance with the permit, you are required to submit Discharge Monitoring Reports (DMRs) by the tenth of each month to:

Virginia Department of Environmental Quality
Valley Regional Office
P.O. Box 3000
Harrisonburg, Virginia 22801

The reporting form is included with the permit. You will be responsible for obtaining additional copies of the DMR. The first DMR for the month ending October 31 is due by **November 10, 2003**.

As provided by Rule 2A:2 of the Supreme Court of Virginia, you have thirty days from the date of service (the date you actually received this decision or the date it was mailed to you, whichever occurred first) within which to appeal this decision by filing a notice of appeal in accordance with the Rules of the Supreme Court of Virginia with the Director, Department of Environmental Quality. In the event that this decision is served on you by mail, three days are added to that period.