

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.<sup>10</sup>

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.<sup>11</sup>

#### 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

---

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

<sup>11</sup> See Exhibit 2, Rule 16.

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 through 1160  
Lots 1163 through 1166

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