

LAKE HOLIDAY ESTATES UTILITY COMPANY
FREDERICK COUNTY, VIRGINIA

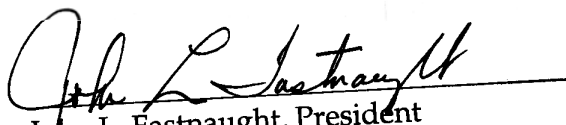
RATES, RULES AND REGULATIONS

For

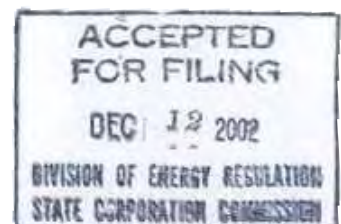
Water and Sewer Service In
Territory Served by Company
in
Frederick County, Virginia

EFFECTIVE: April 19, 2002

LAKE HOLIDAY ESTATES UTILITY COMPANY

By: 
John L. Fastnaught, President

Issued: March 5, 2002



LAKE HOLIDAY ESTATES UTILITY COMPANY

SCHEDULE NO. 1

GENERAL NATURE OF SERVICE TO BE PROVIDED

The primary purpose of the Lake Holiday Estates Utility Company is to provide water and sewerage service to a subdivision known as Lake Holiday Country Club, in Frederick County, Virginia, also known as The Summit. In addition to vacation homes, this subdivision consists of year round residences, community facilities, a club house, beaches and possibly a commercial area. It is not anticipated that water meters will be installed for vacation homes; however, the Company reserves the right to install meters for such homes at its sole discretion when the consumption of water appears to exceed the normal average usage for other vacation homes. In the event meters are installed for providing water to vacation homes, the monthly water and sewerage rates will be the same as for other residential customers receiving water through meters.

WATER AND SEWER RATES:

Applicable in all territory served by the Company.

AVAILABILITY OF SERVICE:

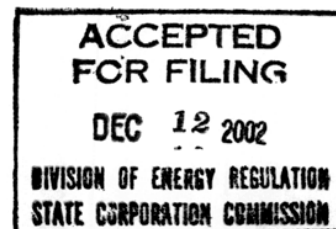
Available to all customers in area indicated above other than customers purchasing water for resale.

WATER RATES:

The water service rates for customers with meters installed will be as follows:

	<u>Month</u>	<u>GALLONS PER</u> <u>Quarter</u>	<u>Rate per 1,000 Gallons</u>
For the first	5,000	15,000	\$1.25
For all over	5,000	15,000	\$0.75

The water service rate for customers without meters will be \$29.70 per month per family unit.



SEWERAGE RATES:

The monthly sewerage service charge for users, other than single-family residential customers, who receive their water through meters shall be 90% of the service charge for water.

MINIMUM CHARGES:

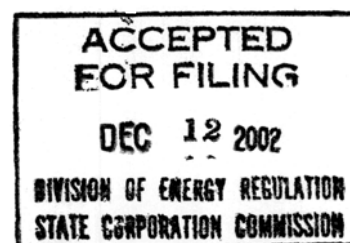
There shall be a monthly minimum service charge of \$29.70 per month for water and \$38.43 per month for sewerage service, and no bill will be rendered for less than the minimum charges. These minimum monthly service charges shall apply equally to customers with water meters installed and those without meters, and shall become effective when the water or sewerage service is connected to the lot.

RULES AND REGULATIONS

The Rules and Regulations as herein set forth, or as they may hereafter be altered or amended, shall govern the rendering of water and sewer service, including the extension of mains and the making of connections thereto, and every customer upon signing an application for any service rendered by the Company, or upon the taking of water or sewer service shall be bound thereby.

RULE NO. 1 - DEFINITIONS:

- (a) A "water service connection" is the water service line connecting the Company's water main or lateral to a customer's 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.
- (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, or in the case of a multiple dwelling where authorized by Lake Holiday Country Club, 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 on premises or has contracted with the Company



- for such service in the future.
(e) "Company" as used herein is Lake Holiday Estates Utility Company.

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.

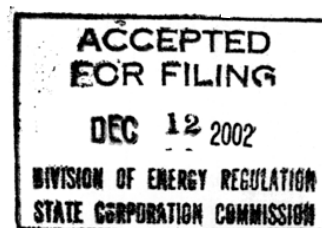
RULE NO. 3 - SERVICE CONNECTIONS:

- (a) Before a water service connection is provided, the owner of the premises to be supplied, or his duly authorized representative, shall make application for water service upon forms prescribed by the Company. Upon approval of the application, the Company will install the service connection from the main in the street to the meter box or, if no meter is to be installed, the lot line of the customer's premises, and will charged a connection fee as follows:

3/4 inch service connection
Service connection over 3/4 inch .

\$3,716.00
Actual cost to
Company, but in no
event less than that
for 3/4 inch
connection.

- (b) Before a sewerage connection is provided, the owner of the premises to be serviced, or his duly authorized representative, shall make application for sewerage service upon forms prescribed by the Company. Upon approval of the application, the Company will install the sewerage service connection from the sewerage collection main to the lot line of the premises to be served, and will charge a one-time connection fee as follows:

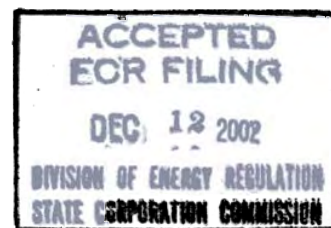


Single family dwelling	\$3,190.00
Multi-family dwelling	\$3,190.00
Commercial or recreational facility	Actual cost to Company, but in no event less than \$3,190.00.

- (c) The Company will maintain and replace 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 and replaced by the Company. In the event that 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 and maintenance of such equipment, and the customer shall own all such equipment.
- (d) The Company will make all connections to its mains and will specify the size, kind and quality of all materials entering into the service connection.
- (e) The corporation cock, meter cock, meter box and service pipe from the water main to the meter, where meters are installed, and the sewerage service pipe from the sewerage main will be furnished and installed by and shall remain the property of the Company and under its sole jurisdiction. The meter will be installed on the property of the customer or on a public way adjoining his property.
- (f) The water and sewerage service connection fees shall also include a charge in the amount of \$1,962.00 for reclamation of costs for waste water treatment plan capacity expansion, and no connection shall be provided unless or until this fee is paid.

RULE NO. 4 - CUSTOMER'S SERVICE PIPES:

- (a) The Company will specify the size, kind and quality of the materials, which shall be laid between the meter cock, where meters are installed, or lot line and the structures on the premises to be supplied the service.
- (b) The water service pipe from the meter cock or lot line to the place of consumption shall be furnished and installed by the customer at his expense and risk.



The customer's service pipes and all connections and fixtures attached thereto shall be subject to the inspection and approval of the Company before the water will be turned on or sewerage service provided.

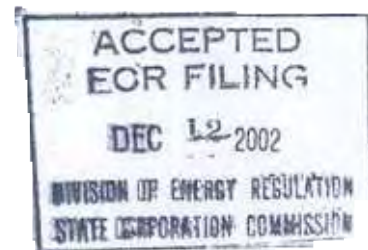
The customer's service pipes shall be laid at all points at least three feet below the surface of the ground and shall be installed in trenches at least two feet in a horizontal direction from any other trench wherein are laid gas pipe, service pipe, or other facilities, public or private, unless otherwise specifically authorized or approved 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 stop and waste cock of a type approved by the Company on the sewerage service pipe immediately inside the foundation wall of the building supplied, 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 and the meter if installed in the building.
- (f) No fixture shall be attached to any branch made in a 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 service pipe 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.

RULE NO. 5 - CROSS-CONNECTIONS AND BACK SIPHONAGE:

- (a) No pipe or fixtures connected with the mains of the Company shall also be connected with pipes or fixtures supplied with water from any other source.
- (b) Pipeing systems supplying swimming pools or tanks shall be so arranged as to prevent water from re-entering the water distribution system by siphonage or other means. An independent supply pipe shall be provided in such a way that its discharge end is at least eight inches above the highest possible water level in such a swimming pool or tank. These installations shall in each case be approved by the Company.

The plumbing on all premises supplied from the Company's water or sewerage system shall conform to the Commonwealth of Virginia Sanitary Code, and any Sanitary Code of Frederick County which may be applicable.



RULE NO. 6 - METERS AND 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, with the exception that damage to any meter due to causes arising out of or resulting from the customer's negligence or carelessness shall be 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.

RULE NO. 7 - METER TESTS AND TEST FEES:

- (a) All meters will be accurately tested before installation. Meters will also be periodically tested in accordance with the State Corporation Commission's Regulations. The Company may at any reasonable time remove any meter for routine tests, repairs or replacement.
- (b) The Company shall upon request of a customer, and if he so desires in his presence or that of his authorized representative, make without charge, a test of the accuracy of the meter in use at his premises, provided that the meter has not been tested by the Company or by the State Corporation Commission within the period of one year previous to such request. A written report of the results of the test shall be furnished to the customer.
- (c) Whenever a test of a meter reveals it to have an average error of more than five (5) per cent, the Company shall bill the consumption indicated by the meter for the previous six months, as the meter was found to be in error at the time of test, 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.

RULE NO. 8 - CUSTOMER'S 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 or sewerage service 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.

- In no case, however, shall the deposit be less than Seven Dollars (\$7.00).
- (b) The deposit will be refunded after final settlement of the customer's account and simple interest on the deposit will be paid at that time at the rate of interest per annum determined annually by the State Corporation Commission from the date of the deposit receipt to the date the customer discontinues the use of water and sewerage service. Payment of interest shall be made annually on demand.
- (c) Whenever the Company may deem the customer's credit satisfactorily established it may notify the customer in writing that the deposit is refundable and interest on such deposit shall cease from the date of such notice.

RULE NO. 9 - DISCONTINUANCE OF

- (a) Water and sewerage service may be discontinued by the Company after five (5) days' written notice for any of the following reasons:
1. For willful or indifferent waste of water due to any cause.
 2. For failure to protect and maintain the service pipe or fixtures on the property of the customer in a condition satisfactory to the Company.
 3. 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.
 4. 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.
 5. For nonpayment of any account for water supplied, for water service, for sewerage service, or for any fee or charge accruing under these Rules and Regulations and the effective Schedule of Rates.
 6. For violation of any rule or regulation of the Company.
- (b) Discontinuing the supply of water or sewerage service 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 monies due from the customer.



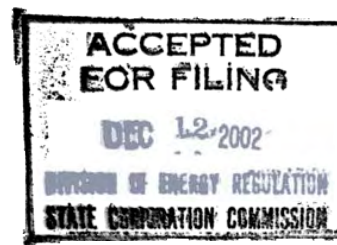
- (c) When water or sewerage service to a customer has been terminated for any of the above state reasons, other than temporary vacancy of the premises, it will be renewed only after the conditions, circumstances or practices which caused the water or sewerage service to be discontinued are correct to the satisfaction of the Company, and upon payment of all charges due and payable by the customer in accordance with these Rules and Regulations and the effective Schedule of Rates.

RULE NO. 10 - TURN-ON CHARGE:

- (a) When it has been necessary to discontinue water service to any premises because of a violation of these Rules and Regulations, or because of nonpayment of any bill, a charge of Thirty Dollars (\$30.00) may be made for turning on the water. This charge, together with any arrears that may be due the Company for charges against the customer, must be paid before the water service will be resumed.
- (b) When it has become necessary to discontinue sewerage service to any premises because of a violation of these Rules and Regulations, or because of nonpayment of sewerage service charges, the customer's water service may also, incident thereto, be discontinued. In such an event, a charge of Thirty Dollars (\$30.00) may be made for turning on the water prior to the resumption of sewerage service and an additional charge of Thirty (\$30.00) may be made for resumption of the sewerage service. These charges, together with any arrears that may be due to Company for charges against the customer, must be paid before the sewerage service will be resumed.
- (c) 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. 8, before service will be resumed.

RULE NO. 11 - BILLS FOR WATER AND SEWERAGE SERVICE:

- (a) Customers are responsible for furnishing the Company with their correct address. Failure to receive bills will not be considered an excuse for nonpayment 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.

If requested in writing by the customer, the Company will send bills to, and will 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 nonpayment of bills by such agents or tenants.

Payment shall be made at the office of the Company or at such other places conveniently located as may be 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 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 availability fees and nonmetered service shall be rendered quarterly in advance; metered service shall be billed quarterly in arrears.

RULE NO. 12 - TERMS OF PAYMENT:

If a bill is not paid within five (5) days after written notice properly given by the Company to the customer of record, service may be discontinued and where installed the meter and service equipment removed by the Company, and the deposit, if any, may be applied against such bill and other arrears due by the customer.

RULE NO. 13 - 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 three (3) next previous periodic bills, provided customer promptly and properly repairs such leak when detected.

RULE NO. 14 - PRESSURE AND CONTINUITY OF SUPPLY:

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

- (b) 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.
- (c) 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.

RULE NO. 15 - INTERRUPTIONS IN WATER SUPPLY:

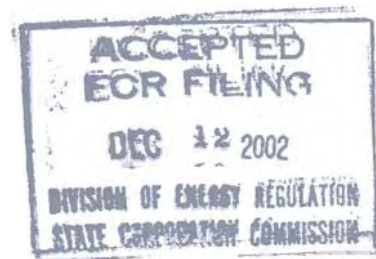
- (a) The Company may at any time shut off the water in the mains in case of accident, or for the purpose of making connections, alterations, repairs, changes, or for other reasons, and may restrict the use of water to reserve a sufficient supply for public fire service or other emergencies whenever 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 interruptions of the supply, such notice is to be considered an accommodation and not a requirement on the part of the Company. Property owners must so regulate their installations connected with the water supply system that damage will not occur if water is shut off without notice.
- (c) 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.



RULE NO. 16 - EXTENSION OF MAINS:

The Company will extend its water distribution and sewerage service systems of mains and laterals to supply consumer, where application for service has been made, under the following terms and conditions:

- (a) Where the cost of the extension does not exceed three and one-half ($3\frac{1}{2}$) times the estimated normal annual revenue from bonafide applicants whose service pipes will be directly connected to the extension and from whom the Company has received applications for service upon forms provided by the Company for this purpose, the Company will install, at its own cost and expense, the necessary extension.
- (b) Where the cost of making an extension exceeds three and one-half ($3\frac{1}{2}$) times the estimated normal annual revenue, the applicant or applicants shall deposit with the Company the excess cost of the extension, that is, the difference between the estimated cost of the extension and three and one-half ($3\frac{1}{2}$) times the estimated normal annual revenue from the applicant or applicants and other persons whose applications are received on or before the work of making the extension has begun.
- (c) Any deposit so made shall remain without interest, in the possession of the Company, subject to refunds as follows: After the completion of the extension when and as additional bona fide customers are secured whose service lines are directly connected to such extension, the Company will refund to the original depositor or depositors an amount equal to three and one-half ($3\frac{1}{2}$) times the estimated annual revenue from such additional consumers. Refunds will be made for a period of ten years only from date of original deposit, and the total of such refunds will in no event exceed the amount of the original deposit. All or any part of the deposit not refunded within said ten year period shall remain the property of the Company.
- (d) The ownership of the extensions installed under this rule shall at all times be in the Company, its successors and assigns.
- (e) Where the main or extension is to be installed in a private street, 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.
- (f) The Company reserves the right to determine the size of the pipe necessary in making such extension.



- (g) This rule will also apply in the event the Company, with the approval of the State Corporation Commission, determines that it will provide water and sewerage service beyond the limits of the subdivision known as Lake Holiday Country Club by enlarging its allotted territory.

RULE NO. 17 - GENERAL:

- (a) The service pipe, meters and fixtures on the customer's premises shall be accessible to the Company for observation or inspection at reasonable hours.
- (b) The Company shall have the right to require easement rights from customers for the installation, maintenance and servicing of meters, sewerage service connections, and the Company may condition the rendering or continuance of service on proper granting of such easements as the Company may reasonably request.
- (c) No person shall turn the water on or off at any stress valve corporation cock, meter cock or other connection, or disconnect or remove any meter or disturb any connection pipe or service line without the consent of the Company. Penalties provided by law for any such unauthorized actoin will be rigidly enforced.
- (d) 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.
- (e) Any complaint against the service or employees of the Company should be made at the office of the Company and, preferably, in writing.

RULE NO. 18 - BAD CHECK CHARGES AND LATE PAYMENT FEES:

- (a) The Utility Company may charge up to Seven Dollars (\$7.00) for checks returned to the Utility Company for any reason.
- (b) The Utility Company may charge up to 1.5% per month on any amounts paid after the date due. In no case shall payment for current services be considered overdue if received by the Utility Company within twenty-one (21) days from the date the bill for such services has been mailed.

