

**BYLAWS
OF THE
CHESAPEAKE RANCH WATER COMPANY**



AUGUST

2014

**Phone: 410-326-4122
www.cwalusby.org**

BYLAWS

OF THE
CHESAPEAKE RANCH WATER COMPANY
Doing Business As The
Chesapeake Water Association

1. PURPOSES

This Chesapeake Ranch Water Company (hereinafter "Company") shall be a non-profit Corporation and shall operate a potable water utility, except that it shall operate "not for gain", owned by the subscribers it serves, and thus shall not be subject to the jurisdiction of the Maryland Public Service Commission.

2. OFFICES

The principal office of the Corporation shall be at 11560 H.G. Trueman Road, Lusby, Maryland, 20657. The Corporation may have offices at such other places as the Board may from time to time establish.

3. SEAL

The Corporation seal shall have inscribed thereon the name of the Corporation, the year of its organization, namely 1960, and the words "Corporate Seal - Maryland."

4. WATER RIGHTS SUBSCRIPTION

4.1. DEFINITIONS

4.1.1. Service area defined: All properties owned by subscribers of the Chesapeake Ranch Water Company that may feasibly

and practicably be served by the common distribution system.

4.1.2. Property Owner defined: a property owner is an individual or corporation whose name appears on the properly recorded title to a property served by the Company.

4.1.3. Association defined: The incorporated organization of the owning subscribers of the Chesapeake Ranch Water Company doing business as the Chesapeake Water Association (hereinafter “Association”).

4.1.4. Subscriber defined: The subscriber shall be the titled property owner of real estate property within the service area of the Association that has paid fees for subscription and has the right to receive water service. Subscribers include the following:

4.1.4.1. Commercial water subscribers

4.1.4.2. Residential water subscribers

4.1.4.3. Condominium owners metered in common with other condominium owners.

4.1.4.4. Property owners who have contributed a subscription fee for a particular lot but who have not yet built on that lot and connected to Association lines for service

4.2. SUBSCRIBING ASSOCIATION MEMBERS

4.2.1. Only one representative person per lot or connection shall be eligible for subscription rights.

4.2.2. Each property served represents only one subscription regardless of the number of titled owners.

4.2.3. The Association will not have a contractual relationship establishing water rights or responsibility for service with any person not properly recorded as the titled owner at any location served by the Association. Obligations for

payment of water bills or any fees will be the sole responsibility of the subscriber.

5. SUBSCRIBER RIGHTS AND OBLIGATIONS

- 5.1. Each subscriber shall be entitled to only one vote at any regular or other meeting of the subscribers, in any ballot process, or in any process of election of directors regardless of the number of water subscriptions owned.
- 5.2. The final approval of a subscription obligates the Association to serve the subscribed property, and obligates the subscriber to receive service from the Association pursuant to the bylaws, policies, and rules of the Association. Final approval is subject to a review of feasibility after payment of the subscription fee.
- 5.3. Non-Discrimination: The right to subscribe may not be subject to any practice of discrimination prohibited by law or inconsistent with conditions established by creditor agencies.

6. MEETINGS

6.1. ANNUAL SUBSCRIBER MEETING

There shall be an annual meeting of subscribers to receive reports from the Board of Directors on the operations and financial status of the Association and to count and report the ballot results of the election of Directors. The annual meeting of subscribers shall be held at such date, time, and place as may be designated by the Board of Directors provided that the date for the annual subscriber meeting is scheduled no sooner than 75 days and no later than 90 days after the last day of the corporate fiscal year. Written notice of the annual meeting shall be mailed to each subscriber at his address, as the same appears on the records of the Association, at least fifteen days prior to the meeting. Any subscriber desiring to place an item of business on the agenda for the meeting shall so notify the President or Secretary in writing no sooner than 30 days after the end of the corporate fiscal year and no later than 45 days from the end of the corporate fiscal year.

6.2. SPECIAL MEETINGS OF SUBSCRIBERS

6.2.1. Special meetings of the subscribers may be called by the President at the written request of no fewer than 100 subscribers.

6.2.2. Special notice stating the day, hour and place of the meeting and the general nature of the business to be addressed, shall be sent to each subscriber at least fifteen days, exclusive of the day of mailing, before the date of every special meeting, at such address as appears on the records of the Association.

6.3. QUORUM OF SUBSCRIBERS

6.3.1. The presence of not less than 10% of the subscribers shall be necessary to constitute a quorum for the conduct of any business.

7. CORPORATE BOARD OF DIRECTORS OF THE ASSOCIATION

7.1. Qualifications

7.1.1. A nominee for the Board of Directors must be a subscriber as defined in these bylaws.

7.1.2. Nomination for the position of Director may be made by any qualified subscriber.

7.2. Construction and Terms of the Board of Directors

7.2.1. The Board of Directors shall consist of nine (9) Directors.

7.2.2. Directors shall be elected for terms of three years, staggered so that one-third is elected each year.

7.2.3. Directors shall assume their duties as of the date of their election.

7.2.4. A vacancy on the Board of Directors may be filled by appointment by a majority vote of the remaining Board

members. A Director appointed to fill a vacancy may serve the remaining term of the Director being replaced.

7.3. Remuneration for Directors

7.3.1. Directors will serve as volunteers without compensation except that they may receive compensation for reasonable expenses related to the execution of their duties or for attending training related to their duties.

7.4. Elections of the Corporate Board of Directors of the Association

7.4.1. Three Directors will be elected each year.

7.4.2. Notification of Elections and a request for nominations for the Board of Directors will be mailed by first class bulk mail not prior to the 1st day of August and no later than the 15th day of August each year. The notification of elections may be included with the monthly water bill or by separate mailing.

7.4.3. Nominations for the Board of Directors must be received in the offices of the Association no earlier than August 15th and no later than September 1st of each year accompanied by a brief resume of the nominee suitable for publication with the ballot.

7.4.4. Paper ballots for the election of Directors will be mailed to each subscriber by first class bulk mail at least 10 days prior to the annual subscriber meeting. Only ballots issued by the Association will be considered valid. Ballot forms may be sent with the monthly water bill or sent by separate mailing.

7.4.5. If there is only one nomination for each Director position paper ballots will not be required to be mailed to subscribers. The nominees will be declared duly elected at

the annual meeting by acclamation of the President or presiding officer of the Annual Meeting of the subscribers.

7.5. MEETINGS OF THE BOARD OF DIRECTORS

- 7.5.1. Regular meetings of the Board of Directors shall be held at least once each calendar quarter at the location of the Association Headquarters and at a regular time as may be determined by the Board of Directors.
- 7.5.2. Other meetings of the Board of Directors may be held to conduct the business of the subscribers at such time and place as may be determined from time to time by the Board of Directors, provided prior notice of at least 72 hours is given to each Director.
- 7.5.3. Special meetings of the Board of Directors may be called by the President. Special meetings may be called on written request of two Directors with notices delivered to all Directors.
- 7.5.4. Regular, special, and other meetings, except executive meetings, of the Board of Directors may be attended by any subscriber.
- 7.5.5. The President of the Board may call for executive session for the purposes of discussing sensitive legal issues, subscriber issues that require privacy, or personnel issues.
- 7.5.6. Announcement of executive session may be given without prior notice at any meeting of the Board of Directors if at least 2/3 of the Board is present. If 2/3 of the Board is not present, the president will issue a notification of special executive session to all members of the Board giving at least 24 hours prior to the scheduled time of the meeting. Thereafter a quorum will be necessary to conduct executive business.
- 7.5.7. Notices of the time and date of meetings of the Board of Directors will be posted in a conspicuous place in the

common area of the Offices of the Association within 24 hours of setting the time and date certain.

7.6. RIGHT TO DISSENT

7.6.1. A Director of the Association who is present at a meeting of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless a dissent shall be entered in the minutes of the meeting, or unless he/she shall file his written dissent to such action with the person acting as Secretary of the Meeting before the adjournment thereof, or shall forward such dissent by registered mail to the Secretary of the Association immediately after adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

7.7. QUORUM OF THE BOARD OF DIRECTORS

A majority (5) of the Directors shall be necessary at all times to constitute a quorum for the transaction of any business at any regular or special meeting of the Board of Directors.

8. RESPONSIBILITIES AND AUTHORITY OF DIRECTORS AND MANAGEMENT

8.1. RESPONSIBILITIES OF MANAGEMENT

The business of the Association shall be managed by its Board of Directors, which may exercise all powers of the Association and perform all lawful acts that are not by law, the Certificate of Incorporation, or these by-laws, required to be exercised or performed by the Directors.

8.2. GENERAL MANAGER

Where the Board of Directors determines that it is in the best interest of the Association, a General Manager may be appointed.

8.2.1. The General Manager will serve at the discretion of the Board of Directors and will be bound by an employment

contract, which will specify the terms of his/her employment.

- 8.2.2. The General Manager will have full management authority over the personnel, operations and the execution of the policies of the Board of Directors of the Association.
- 8.2.3. The General Manager shall have the functioning powers of the chief executive officer of the Association but shall not have the title of an officer in the Association.
- 8.2.4. With the presence of a General Manager, the President will be relieved of any direct authority and the responsibility of functioning as the chief executive officer as described in Paragraphs 10.1.1, 10.1.2, and 10.1.3.
- 8.2.5. Actions and decisions made by the General Manager in the execution of his/her duties are reversible by a vote of the majority of the Board of Directors.

9. RESPONSIBILITIES OF OFFICERS OF THE ASSOCIATION

- 9.1. The officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, and shall be elected by the Directors. Other officers and assistant officers may be elected or appointed by the Directors as they deem necessary.
- 9.2. Officers of the Association will serve as volunteers without compensation except that they may receive compensation for reasonable expenses related to the execution of their duties or for attending training related to their duties.
- 9.3. The officers of the Association shall be elected annually by the Directors at their first meeting held after each annual meeting of the members, such meeting to be held prior to December 31 of each year.
- 9.4. Each officer will assume his duties on the date of election, and will hold office until his successor shall have been duly elected and shall

have qualified, or until his death, or until he/she shall resign or shall have been removed in a manner provided herein.

- 9.5. Any officer or agent elected or appointed by the Directors may be removed and replaced by the Directors whenever, in their judgment, the best interests of the Association would be served thereby, but such removal shall be without prejudice to the contract rights of any of the persons so removed.

10. DUTIES OF OFFICERS OF THE ASSOCIATION

10.1. THE PRESIDENT

10.1.1. The President shall be the chief executive officer of the Association, subject to the direction of the Board of Directors.

10.1.2. He/she shall have general charge of the business affairs and property of the Association and shall have the authority to appoint, supervise, discharge and fix the compensation of all employees and agents of the Association, to disburse the funds of the Association, as may be ordered by the Board, taking proper voucher for such disbursements, and shall render to the Board whenever they request an account of these transactions.

10.1.3. He/she shall sign deeds, mortgages, notes, documents, contracts or other instruments which the Directors have authorized to be executed.

10.1.4. The President will be responsible for setting the time and agenda for all regular and special meetings of the Board of Directors, and will be responsible for the orderly conduct of such meetings. In general he/she shall perform all duties incident to the Office of President, and such other duties as may be prescribed by the Board of Directors from time to time.

10.1.5. The President will be the Board of Director's primary point of contact with the General Manager, and will be responsible for communicating the directives of the Board to the General Manager. He/she after consultation with the Board of Directors will be responsible for evaluating the performance of the General Manager and will convey to the General Manager and the Board of Directors the results of the evaluation on an annual basis. The President will have the authority to set the terms of the General Manager's contract for employment subject to the approval of the Board of Directors.

10.2. THE VICE PRESIDENT

10.2.1. In the absence of the President, or in the event of his death, inability or refusal to act, the Vice President, or Secretary, or Treasurer, in that order shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

10.3. THE SECRETARY

10.3.1. The Secretary shall keep full minutes of all the meetings of the members and directors. He/she shall be responsible for the proper custody of official documents and seal of the Association, shall perform such other duties as may be prescribed by the Board of Directors or the President, and shall perform all the duties incident to the office of the Secretary of the Association.

10.3.2. The Secretary shall prepare and report to the general membership at the annual meeting of the Association an

affidavit of mailing of the proper notice of the Annual Meeting.

10.3.3. He/she shall sign deeds, mortgages, notes, documents, contracts or other instruments which the Board of Directors have authorized to be executed.

10.4. THE TREASURER

10.4.1. The Treasurer will be responsible for ordering all audits of accounts and reporting the results of audits to the Board of Directors as required in accordance with the By-laws and Policies of the Association.

10.4.2. He/she shall sign deeds, mortgages, notes, documents, contracts or other instruments which the Board of Directors have authorized to be executed.

10.5. VACANCIES

10.5.1. Any vacancy on the Board of Directors, occurring through death, disability, disqualification, resignation, or other cause shall be filled for the unexpired term by appointment as determined by the remaining Directors. The appointment shall take place, and be appropriately recorded, at the next regular or special meeting of the Board after vacancy occurs.

10.6. RESIGNATION

10.6.1. Any Director or any Officer may resign his office at any time; such resignation is to be made in writing and will take effect on the date the same is received by the Association unless some other date is specified in the resignation. The acceptance of the resignation shall not be necessary to make it effective.

11. NOTICES OF BOARD MEETINGS

11.1. Whenever notice is required by statute or by these by-laws to be given to the members of the Board, any individual Director, or any Officer of the Association, personal notice is not meant unless expressly so stated, and any notice so required shall be deemed to be sufficient if given by depositing the same in a post office box, properly stamped, addressed to such member, Director or Officer, and such notice shall be deemed to have been given at the time of such mailing. The attendance of a member or of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a member or a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

12. INDEMNIFICATION

12.1. The Association shall indemnify every General Manager, Director or Officer (or former Director or Officer), his heirs, executors and administrators, against expenses reasonably incurred by him in connection with any action, suit or proceeding to which he/she may be made a party by reason of his having been a General Manager, Director, or Officer of the Association except in relation to matters as to which he/she shall be finally adjudged in such action, suit or proceeding to be criminally liable for negligence or misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified did not commit such breach of duty.

12.2. The foregoing right of indemnification shall not be exclusive of other rights to which he/she may be entitled. The amount of indemnity shall be fixed by the Board of Directors, except where there is no disinterested majority of the Board available, the amount shall be

fixed by arbitration pursuant to the existing rules of the American Arbitration Association.

13. RATES

- 13.1. The Board of Directors shall determine all rates including but not limited to the subscription fee, tap-on fee and rates for water service.
- 13.2. Rates and fees shall be adequate to provide for anticipated cash expenditures and requirements and for a contingency for major repairs, replacements and line extensions.
- 13.3. Every effort shall be made to keep the rates at a level to meet cash requirements, capital improvement requirements, and contingency.

14. ADMINISTRATIVE and EMPLOYMENT POLICY

The Board of Directors will establish policies in compliance with these by-laws which will set all rates, fees, rules, employment practices and provide the guidance for the operation of the Association.

- 14.1. The General Manager will have the responsibility of executing the policy of the Board of Directors, and of recommending additions or changes in policy. Any Director may submit recommendations for new policy, or changes in policy.
- 14.2. The Board of Directors will review (or cause to be reviewed) these policies on a regular basis.

14.3. Modification, addition or deletion of policy must be approved by a majority (5/9) of the Board of Directors.

14.4. Administrative policies will be maintained by the General Manager and will be made available to Subscribers upon request.

14.5. Employee policies will not be available to the general Association, but will be made available to any Director or employee of the Association.

15. MINUTES OF MEETINGS

The minutes of the meetings of Association Board of Directors will be made available to subscribers for reading only in the company of an officer of the Association. Reproduction of the minutes must be approved by the Board of Directors.

16. AMENDMENTS OF BYLAWS

The Board of Directors, by the affirmative vote of two thirds (2/3) of the Board of Directors, may alter or amend these by-laws at any regular meeting of the Board or at any special meeting of the Board, provided that notice of the proposed alteration or amendment has been given to each Director.

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ADMINISTRATIVE POLICIES

RATES

REVIEWED AUGUST 2014
LAST REVISED AUGUST 2014

As required to maintain full service and efficient operation, the rates, which are based on the estimated percentage of water use, are reviewed by the Directors and are modified to meet operational expenses and reasonable contingencies. The current rates for water service are listed below:

16.1. Commercial Metered Rate (effective January 2015)

Commercial fixed rates by meter size (service line size):

5/8" x 3/4" meter.....	\$15.00/ month
1".....	\$18.00/month
1 1/2".....	\$24.00/month
2".....	\$30.00/month
Over 2".....	Negotiated

Monthly Commercial rates for water (all meter sizes)

0 to 10,000 gallons.....	\$2.50/thousand
10,001 to 15,000 gallons.....	\$2.75/thousand
15,001 to 20,000 gallons.....	\$3.00/thousand
20,001 to 25,000 gallons.....	\$3.25thousand
Over 25,000 gallons.....	\$3.50/thousand

Industrial water use (consumed in manufacturing) would be delivered by contract and based on availability and demand.

16.2. Residential

1.2.1. METERED (effective January 2015)

0 to 1000 gallons:	\$15.25
1001 to 2000 gallons:	\$3.25/thousand gallons
2001 to 3000 gallons:	\$4.25thousand gallons
3001 to 4000 gallons:	\$4.75thousand gallons
4001 to 5000 gallons:	\$5.25/thousand gallons
5001 to 10,000 gallons:	\$5.50/thousand gallons
Over 10,000 gallons:	\$6.00/thousand gallons

1.2.2. CONDOMINIUM RATE (Seahorse Beach Condos)

12 domestic units + 1 laundry unit = 13 EDU

(13x\$15.25) = \$198.25 for the first 12,000 gallons

\$3.25/thousand gal. for the next 12,000 gallons

\$4.25/thousand gal. for the next 12,000 gallons

\$5.00/thousand gal. > 36,000 gallons/month

Each individual condominium owner shall retain their voting privileges.

16.3. Finance charges for late payments: As specified in the monthly bill (24% per annum).

16.4. Special User Bulk Rates

16.4.1. Special requests for commercial sale of water to outside contractors (well drillers, hydro-seeders, etc.) may be granted at the discretion of the Board of Directors and Management. Water should be supplied through a metered

hydrant connection equipped with an approved backflow-preventing device.

16.4.2. Special Commercial Use - \$7.00 per 1000 gallons

16.5. Services

16.5.1. Service Disconnect & Reconnect for Nonpayment \$40.00/trip

16.5.2. Temporary Service Disconnect & Reconnect (during business hours) \$20.00/trip

16.5.3. Emergency Temporary Service Customer requested Disconnect & Reconnect after business hours \$50.00/trip.

16.5.4. Seasonal Disconnect/Reconnect \$20.00

16.5.5. Subscription Transfer Fee \$50.00

16.5.6. Return Check Fee \$40.00 in addition to amount charge by bank.

16.5.7. Certified Letter Handling Fee \$1.00 in addition to current certified letter postage cost

16.5.8. Meter Calibration Test

The customer may request a check of the calibration of his water meter. The customer must make a written request (form provided by the Association) and pay a \$50 deposit before the existing meter is replaced. The meter in question will be sent to an independent agency for calibration check. If the meter proves accurate within the manufacturers tolerances, the \$50 deposit will be forfeit in lieu of a service fee. If the meter proves out of calibration the \$50 deposit will be refunded and the water bill adjusted back 3 months prior to the meter change, and by an estimation based on the percentage of error recorded by the calibrating agency.

16.6. Water Rights Subscription Fees for New Connections.

16.6.1. Residential Water Subscription \$5000.00

16.6.2. Commercial/Industrial \$6000.00

16.6.3. Government/community facilities \$3000.00

17. TAP FEES

17.1. Definition of Equivalent Domestic Unit (EDU): An EDU is calibrated to be similar in water demand to a single family residence. When the basis for the demand of water for any given property must be estimated, that estimation is made equivalent to the number of EDU expected. Commercial properties typically may represent multiple EDU's depending on their function.

17.2. Tap fees offset the anticipated infrastructure cost of adding each additional EDU to the pumping, treatment, and distribution system. If the actual cost of construction of any service line and tap exceeds the amount of the scheduled tap fee those costs may be applied in lieu of the scheduled tap fee.

17.3. Tap fees are calculated and are due and payable at the time of application for subscription. If the function or scope of the property is altered in such a way that water demand is increased after the subscription and tap fees are paid, the Association will have the right to recalculate tap fees and adjust them according to the current schedule of tap fees.

SCHEDULE OF MINIMUM TAP FEES

Class	User Category	EDU Rate Basis (function)	EDU	Connection fee/EDU
A	Single Family Dwelling(SFD)	Per dwelling unit	1	(included in subscription fee)
B	Retail and/or Commercial property not specifically covered elsewhere herein	Per 2500 sf or fraction thereof	1	\$2500
C	Rented rooms	Per rented room+rate "A"	0.25	\$2500
D	SFD w/business	Per location + Rate "A"	.33	\$2500
E	Hotels and Motels	Per room	.33	\$2500
F	Apartments	Per unit	1	\$2500
G	Schools (Public or Private)	Per 30 students, staff, employees or fraction thereof	1	\$1000
H	Churches/Religious institutions	Per church + rate "G" if it applies	1	\$1000
I	Clubs, Societies, Service Organizations	For every 4 employees or fraction thereof	1	\$2500
		Plus units for the following:		
		Swimming pool (each)	1	\$2500
		Restaurant/diner/Bar for every 25 seats therein or fraction thereof	1	\$2500
J	Government Buildings/community facilities	Per the greater of 2500 sf or fraction thereof or 12 employees or fraction thereof	1	\$1000
L	Car wash	Per wash bay	2	\$2500
M	Service Stations W/ car wash	Per location plus Rate "L" for each additional wash bay	2	\$2500
N	Service Stations W/O car wash	Per location	2	\$2500
O	Laundromat/Self Service Laundry	Per washing machine + Rate "B"	0.5	\$2500
P	Supermarkets	Per the greater of 3000 sf or fraction thereof or 12 employees or fraction thereof	1	\$2500
Q	Industrial plants; Warehouses	Per the greater of 2500 sf or fraction thereof or 12 employees or fraction thereof.	1	\$2500
R	Bakeries	Per the greater of each location or 2500 sq feet or fraction thereof.	2	\$2500

RULES

REVIEWED June 2005

LAST REVISED June 2005

17.4. DEFINITIONS

17.4.1. The word "premises" shall include the following:

17.4.1.1. A building under one roof owned by a customer and occupied as one residential or place of business.

17.4.1.2. Each unit of a multiple-unit house or building, separated by a solid vertical partition wall, occupied by one family as a residence or by a firm as a place of business, or used by a firm in connection with the operation of a business.

17.4.2. The "subscription fee" is the fee paid by a property owner for the privilege of becoming a member of the Association and to utilize its services. It is separate and distinct from charges for tap fees, line extensions, restoration of road surfaces, etc., which are made at the time of tap-on.

17.4.2.1. A subscription fee will be charged for each lot on which there is a building, or the construction of a building is contemplated, and which is to be connected to the water system.

17.4.2.2. A water subscription must be recorded by the owner on the Association books as held on a specific property within the area of service. The water subscription may be transferred from one property to another, or from one owner to another, however, once a connection is made to a property, the subscription is no longer transferable except by transfer of the property title.

17.4.2.3. Multiple residence properties such as condominiums or apartment buildings served through a master meter and

built after December 31, 2004 will have a single subscription and be subject to the tap fee schedule.

17.4.2.4. An Association approved assignments of water subscription rights must be properly executed and recorded on the Association books.

17.5. APPLICATION FOR SERVICE

17.5.1. All applications for water service must be made in writing, on forms provided by the Association including but not limited to: Request for Water Connection, Request for Water Subscription, Right of Way Easement, and Inspection Certification. The application must be in the name of the property owner.

17.5.2. No contract for service will be entered into by the Association with any owner until all arrears and charges due by the owner at any premises now or heretofore owned or occupied by him, and serviced by the Association, shall have been paid, or satisfactory arrangements made in regard thereto.

17.5.3. Application for service installations will be accepted subject to the feasibility of providing service. Where the cost of providing service due to distance, physical obstruction, or easement is not feasible, the member may be required to pay the extra cost of construction.

17.5.4. When a prospective customer has made application for a new service or has applied for reinstatement of an existing service, it is assumed that the pipes and fixtures which the water service will supply are in appropriate condition to receive the same. The Association will not be liable in any case for accident, breaks or water losses arising in any way in connection with the supply of water, or failure to supply same due to the freezing of water pipes or fixtures of the customer, nor to any damage to the property which may

result from the usage or non-usage of water supplies on the premises.

17.6. SERVICE CONNECTIONS

17.6.1. The service connection from the main to the property line will be installed by the Association or by a general plumbing contractor approved by the Association. The Association will furnish and install the following equipment: corporation stop, service pipe to the property line, meter equipment, valve and box.

17.6.2. Title to all service from main to property line, including meter and meter installations and interior meters and back flow preventers are to be vested in, and the same shall at all times remain the sole property of the Association and shall not be trespassed upon or interfered with in any respect. This property shall be maintained by the Association and may be removed or modified by the Association at any time.

17.6.3. The Association may charge the property owner the cost of any street surface restoration. The Association reserves the right to require a deposit sufficient to cover the estimated cost of such street restoration. This rule shall also apply to the replacement and enlargement of old service lines.

17.6.4. All service pipes to premises shall have a minimum cover of at least 42 inches. All service pipes shall not be less in size than three-fourths inch (3/4) inside diameter.

17.6.5. Curb stops and meter valves shall not be used by the customer, or his agent, for turning on or shutting off the

water supply. Curb stops are for the exclusive use of the Association.

17.6.6. The service pipe from the property line to the building shall be installed at the expense of the owner of the building.

17.6.7. Service lines will be installed in accordance with State and local plumbing codes.

17.6.8. The Association shall in no event be responsible for the maintenance of, or for damage done by water escaping from the service pipe or any other pipe or fixture on the outlet side of the curb cock, and the customer shall at all times comply with State and Municipal regulations in reference thereto, and shall make any changes thereon required on account of change of grade, relocation of mains or otherwise.

17.7. PAYMENT OF BILLS

17.7.1. Bills for service will be rendered periodically, in accordance with "Terms of Payment" noted on each specific rate schedule, and are due and payable at the office of the Association upon presentation.

17.7.2. If payment in full of residential accounts is not received within thirty (30) days after bill is due, the Association will assess a service charge of twenty four percent (24%) per annum of the cumulative unpaid balance, calculated monthly, until the account is paid in full. If payment in full is not received within ninety days (90) after the bill is due, the Association will, at the discretion of management, (after ten days written notice) discontinue service.

17.7.3. If payment in full of commercial accounts is not received within thirty days (30) after bill is due, the Association will assess a service charge of twenty four percent (24%) per annum of the cumulative unpaid balance, calculated monthly until the account is paid in full. If payment in full of commercial accounts is not received within sixty days (60) after bill is due, the Association (after ten days written

notice) will, at the discretion of management, discontinue service.

17.7.4. The presentation or non-presentation of a bill shall not be held to be a waiver of any of the above rules.

17.8. DISCONTINUANCE OF SERVICE

17.8.1. Service may be discontinued for any of the following reasons:

17.8.1.1. Misrepresentation in application

17.8.1.2. Use of water for purposes other than described in application

17.8.1.3. Willful waste of water

17.8.1.4. Failure to comply with lawful restrictions on consumption imposed by any authority

17.8.1.5. Molesting Association property or property under jurisdiction of the Association or seals on appliances, or for tampering as defined in the bylaws and rules

17.8.1.6. Vacancy resulting in damage or potential damage to Association property

17.8.1.7. Non-payment of residential bills within 90 days after bill is due

17.8.1.8. Non-payment of commercial bills within 60 days after bill is due

17.8.1.9. For cross-connection of the Association's service pipe with any other water supply source or potential source of contamination

17.8.1.10. Refusal of reasonable access to property

When water has been turned off at any premises for any of the above reasons, or for any other violation of the Association's rules, a disconnect charge will be made and

a reconnection charge will be made for restoring service to the customer. Any and all past due and current balances must be paid in full before service is restored.

17.9. GENERAL

- 17.9.1. No water will be furnished to any premises where any possibility exists of the mingling of the water furnished by the Association with water from any other source. The Association will not permit its mains or service pipes to be connected in any way to any piping, tank, vat or other apparatus containing liquids, chemicals, or any other matter which may flow back into the Association's pipes or mains, and consequently endanger the water supply.
- 17.9.2. The customer shall not permit anyone, except an agent of the Association or someone otherwise lawfully authorized to do so, to remove, inspect or tamper with the meter or other property of the Association on his premises. The customer shall notify the Association as soon as it comes to his knowledge of any injury to the Association's property.
- 17.9.3. The authorized agents of the Water Association shall have the right of access to the premises supplied with water at all reasonable hours, for the purpose of reading meters, examining fixtures and pipes, observing the manner of using water, and for other purposes which are proper and necessary in the conduct of the Association's business.
- 17.9.4. The Association reserves the right to impose reasonable restrictions on the use of water during periods of shortage of supply, excessive demands or other difficulties which result in the impairment of normal service of any group of subscribers. These restrictions apply particularly to the excessive use of water in sprinkling of lawns, washing of cars, etc.
- 17.9.5. As necessity may arise in case of main breaks, emergency or other unavoidable cause, the Association shall have the right to temporarily cut off the water supply in order to make the necessary repairs, connections, etc., but the Association will use all reasonable and practicable measures to notify

the customer in advance of such discontinuance of service. In any case the Association will not be held liable for any damage or inconvenience suffered by the customer, nor for any claim against it at any time for interruption of service, lessening of supply, inadequate pressure, quality of water, or any cause beyond its control. All subscribers having boilers on their premises dependent upon the pressure of the water in the Association's pipes to keep them supplied, are cautioned against the danger of collapse, and all such damages must be borne exclusively by the customer. The Association shall have the right to reserve a sufficient supply of water at all times to provide for fire or any other emergencies, and may restrict or regulate the quantity of water used by its subscribers in case of scarcity, or whenever the public welfare may require it.

17.9.6. Water from Association fire hydrants or other fire protection systems shall be used only in case of fire, except that water from Association fire hydrants may be used in a reasonable amount and at such times as the Association may permit, for the purpose of testing the hydrants and fire fighting apparatus, and if such tests are conducted only by the properly authorized agents or employees of the Association or of a regularly established Fire Department, and after the consent of the Association has been obtained. No pumps will be permitted to connect with water pipes, so as to draw directly from main or service pipe, except for fire purposes, without specific authorization from the Association.

17.9.7. The opening or closing of any fire hydrant, or plug, except in cases of fire, without the written permission of the Association, shall be deemed "tampering", under the provisions of Article 27, Section 118, Annotated Code of Maryland:

“(a) It shall be unlawful for any person or persons to wrongfully and maliciously connect, disconnect, tap, interfere, or tamper with any of the canals, springs, reservoirs, tunnels, mounds, dams, plugs, mains, pipes, conduits, connections, taps, valves, engines and machinery belonging to any company, municipality, county, or agency of State or local government, using or engaged in the supplying of water for domestic, agricultural, or manufacturing purposes, or any of them, or to make any connection with such canals, springs, reservoirs, tunnels, mounds, dams, plugs, mains, pipes, conduits, connections, valves, engines and machinery for the purpose of wasting or using such water, or in any way tamper with any meters used to register the water consumed, unless such person or persons shall be duly authorized by or be in the employ of such company, municipality, County, or agency of State or local government. Nothing in this section shall in any way interfere with the lawful governmental regulation of water companies, their canals, springs, reservoirs, tunnels, dams, plugs, mains, pipes, conduits, connections, taps, valves, engines and machinery. Nothing in this section shall interfere with any right now existing in any county or municipality to pass ordinances relating to and regulating water companies.

(b) Any person, or persons found guilty of a violation of any of the provisions of this section, shall be deemed guilty of a misdemeanor and shall, upon conviction thereof, be imprisoned not exceeding six months or fined not exceeding five hundred dollars, or both or either, at the discretion of the court.”

17.9.8. No agent or employee of the Association shall have the right or authority to bind it by any promise, agreement or representation contrary to the letter or intent of the Rules.

17.9.9. The Association will not normally install new water mains after November 15th or before March 15th of each year. These rules may be waived by the Association in case of

emergency or necessity. The final determination of any emergency or necessity shall rest with the Association.

17.9.10. Service to contractors for building purposes, or other temporary subscribers, will be run in accordance with the Rates and Rules of the Association, but such customer shall pay the entire cost of installation and removal of all pipe connections, in addition to the regular charges for water service. A deposit will be required to cover both charges in all cases.

17.9.11. No residential or commercial customer shall use water from the system for the purpose of heating and/or cooling of residence or commercial enterprises in connection with the use of heat pumps, cooling towers and other types of associated heating and cooling equipment.

17.9.12. The member shall not erect or construct any building or other structure, plant trees, dig an excavation, pave or diminish or substantially add to the ground cover over said water lines and the appurtenances and fixtures, except as specifically authorized in writing by the Association.

18. CAPITALIZATION

Adopted: August 1997

Reviewed: January 1998

Revised: _____

18.1. Any additions to plant or purchases in amounts greater than \$500.00 will be capitalized.

18.2. Cash Reserves and Investment

It is considered in the organization's best interest that the Association maintain adequate cash and cash equivalent reserves to insure stability, and develop the capacity to meet the demands of system aging and growth.

18.3. Priority of Reserves:

18.3.1. Working Capital to accommodate seasonal or other fluctuations in budgeted or non-budgeted expenses. Working capital will be held locally in checking and savings accounts. The current target level for working capital reserves is \$100,000.00 maximum, and \$50,000.00 minimum. Working Capital must be held in an FDIC insured account.

18.3.2. Debt Service Reserves established at a minimum level equal to 12 months debt service requirement. Debt service reserves may be held in investment accounts approved by the Board of Directors.

18.3.3. Capital Improvement and Expansion Reserves will be dedicated to specific project goals as outlined in the short and long range capital improvements plan, or prior years. Capital improvement and expansion reserves may be held in investment accounts approved by the Board of Directors

18.3.4. Any margins held as appropriated retained earnings will be directed toward these reserves until such time that these reserves are fully funded.

18.3.5. If deficiencies develop in reserve levels, the distribution of reserves will shift to accommodate the higher priority, and the Board of Directors may consider the issuance of debt to replenish reserve levels.