

RULES AND REGULATIONS
DEEP CREEK WATER AND SANITATION DISTRICT
Mineral County, Colorado

Adopted and effective December 4, 2008

Amendments:

Date of amendment	Section(s) amended	Effective date
March 5, 2009	4.6	March 5, 2009

TABLE OF CONTENTS

1.	General.....	1
1.1	Authority.....	1
1.2	Purpose.....	1
1.3	Policy	1
1.4	Applicability	1
1.5	Access	1
2.	Fees and Charges of the District.....	2
2.1	Tap and Connection Fees	2
2.2	Water & Sewer Service Fees.....	2
2.3	Additional Fees and Charges applicable to Outside Service Area.....	2
3.	Penalties and Fines.....	3
3.1	Late Fees	3
3.2	Service Reconnection Fee.....	3
3.3	Lien Removal Fee.....	3
3.4	Bad Check Fee.....	3
3.5	Ground Water Discharge of Sewer Penalty	3
3.6	Unauthorized Discharge to Sanitary Sewer Penalty.....	3
3.7	Unauthorized Hydrant Use Penalty	3
3.8	Grease Trap/Interceptor Charge.....	3
3.9	Special Service Fee.....	4
3.10	Unauthorized Water Use Penalty	4
4.	Watering Limitations and Administrative Procedures.....	4
4.1	Watering Limitations.....	4
4.2	Unauthorized Irrigation Penalty	5
4.3	Drought Conditions	5
4.4	Incorrect Meter Reading.....	5
4.5	Payment Procedures	5
4.6	Payment Responsibilities.....	5
4.7	Utility Easements	6
4.8	Suspicious Activity	6
4.9	Tampering	6
4.10	Use of Sewer.....	6
4.11	Residential or Commercial Access	6
4.12	Termination of Water Service by District	7
4.13	Notice of Termination.....	7
5.	Construction Procedures.....	7
5.1	Water and Sewer Service Line Installation	7
5.2	Meter Kit Installation	7
5.3	Sumps and Sump Pumps.....	7
5.4	Water Valve Stop Boxes (Curb Stops)	8
5.5	Grease Trap/Interceptors.....	8

6.	Maintenance Policy	8
6.1	Ownership.....	8
6.2	Sewer Plumbing Maintenance Procedures.....	8
6.3	Water/Sewer Service Line Maintenance Procedures	8
6.4	Liability of District.....	9
6.5	Liability of Customer.....	9
7.	Remedies	9
7.1	Appeal	9
7.2	Appeal to Board	9
8.	Effective Date	10

RULES AND REGULATIONS DEEP CREEK WATER AND SANITATION DISTRICT

1. General.

1.1 Authority. The Deep Creek Water and Sanitation District (the "District") is a quasi-municipal corporation and political subdivision of the State of Colorado operating under the authority of the Special District Act, Section 32-1-101, *et seq.*, C.R.S. The District may hire and retain a District Manager to act upon its behalf for all regular District business. Unless specifically stated herein, the District Manager shall be empowered to enforce the District's Rules and Regulations. No employee or agent of the District shall have the right or authority to bind the District by any promise, agreement, or representation in conflict with these Rules and Regulations.

1.2 Purpose. The purpose of these Rules and Regulations is to ensure an orderly and uniform administration of water and sewer operations to those properties located within the boundaries of the District (the "Inside Service Area") and to those properties served by the District but located outside of the boundaries of the District (the "Outside Service Area") (together, the Inside Service Area and Outside Service Area are referred to collectively herein as the "Service Area"). The District provides water service and sanitary sewer service to Customers within its Service Area. Treatment of sanitary sewage collected by the District is performed by the City of Creede (the "City"), pursuant to and in accordance with the terms of an intergovernmental agreement between the City and the District. These Rules and Regulations do not establish contractual rights, nor are they intended to do so. These Rules and Regulations shall not be construed as creating obligations for the District beyond those required by law

1.3 Policy. The Board of Directors of the District (the "Board") has promulgated these Rules and Regulations to ensure that all customers within the Service Area are able to obtain water and sanitary sewer service in a fair and equitable manner. All Customers are hereby notified that the District is a party to that certain Intergovernmental Agreement Regarding Wastewater Collection and Treatment with the City (the "IGA"). The IGA requires the City to accept wastewater from the District and to treat the same at its current wastewater treatment plant (the "City WWTP"). The IGA also sets forth the responsibilities of the District and City to participate equitably in the future expansion or replacement of the City WWTP. To the extent of any conflict between these Rules and Regulations and the terms of the IGA, the IGA shall prevail.

1.4 Applicability. These Rules and Regulations shall apply equally to all customers within the Service Area (each a "Customer"), unless specifically stated otherwise. These Rules and Regulations are subject to amendment and modification by the Board without prior notice, except where notice is specifically required by law. If any clause, sentence, paragraph, section, or portion of these Rules and Regulations shall be adjudged invalid by a court of competent jurisdiction for any reason, such judgment shall not affect, impair, or invalidate the remainder of these Rules and Regulations.

1.5 Access. By requesting and receiving service from the District, every Customer shall be deemed to have granted a license to the District, its agents, employees, and representatives, at all

reasonable times to enter upon the premises of the Customer receiving service from the District to determine compliance with these Rules and Regulations. No Customer shall obstruct easements or rights-of-way containing any part of the District's water or sanitary sewer systems in any manner that may prevent unrestricted access to and use of the easements or rights-of-way by duly authorized employees, agents, or representatives of the District.

2. Fees and Charges of the District. The District's current fees and charges are set forth on Exhibit A, attached hereto and incorporated herein by this reference. Notes 1 through 5 set forth in Exhibit A are fully incorporated in these Rules and Regulations. The fees, rates, tolls, charges and penalties of the District are subject to modification by the Board at any time. A copy of the District's then-current fee schedule shall be available for examination by the public during regular business hours.

2.1 Tap and Connection Fees. The District's water tap fee and sewer connection fee are set forth in Exhibit A. In addition to these fees, the District collects the City's Sewer Tap Fee (currently \$500.00) and Sewer System Development Fee (currently \$2,500.00). The City fees have been established pursuant to City Ordinance No. 334, the City's Water, Sewer & Drainage Utility Regulations (hereinafter "Ordinance 334"), and the City may change these fees at any time. Each Customer must pay the District's water tap fee and sewer connection fee, as well as the City fees, prior to connecting onto the District's water and sanitary sewer systems. Additional information regarding the City fees may be obtained from the City (phone number 719-658-2276, PO Box 457, Creede, CO 81130). All tap and connection fees must be received by the District prior to tapping into the District's systems. Payment may be delivered to the District c/o the District's bookkeeper, Whitmore Consulting, P.O. Box 411, Creede, CO 81130, office address of 103 W. Wall Street, Creede, CO (phone number 719-658-0888).

2.2 Water & Sewer Service Fees. As set forth in Exhibit A, the District currently charges a combined water and sewer service fee of forty six dollars (\$46.00) (the "Service Fee") per Customer (detached single family equivalent) on a monthly basis. The Board reserves the right to adopt water and sewer rates for commercial property prior to the commencement of development of commercial property within the Service Area. The District shall render invoices to each Customer for the Service Fee monthly, and payment shall be due no later than 30 days after the date of such invoice. Any Service Fee not paid within 30 days of the date of the invoice shall bear interest at a rate of two percent (2%) per month. If full payment is not made within 90 days of the date of the invoice, the District may terminate water service to the property after providing the Customer with notice of the intended action and the opportunity to appear at a Board meeting to present evidence and testimony to explain the failure. If the Customer wishes to restore service to the property, it must pay a service reconnection fee, all outstanding balances due, interest, and other related costs, including but not limited to the District's attorney's fees, before the District will restore service to the Customer. Any unpaid Service Fee shall constitute a perpetual lien on the property served and may be enforced as provided by law. A lien removal fee may be charged and shall be due with all other fees prior to service restoration.

2.3 Additional Fees and Charges applicable to Outside Service Area. In the event unanticipated or major repairs, replacements, renovations, or other changes are required to be made to the water system and/or sanitary sewer system within the Outside Service Area

(primarily consisting of the Creede Haven No. 1 subdivision), the Customers within the Outside Service Area shall be collectively responsible for said expenses. To the extent that Customers within the Outside Service Area fail to pay for needed repairs within a reasonable time following the date on which the necessity for such repairs exists, as determined by the Board, or otherwise fail to make arrangements with the District for financing the needed repairs, the District may proceed to undertake the same and the Board may proceed to establish supplemental fees and charges applicable to Customers within the Outside Service Area to pay for said repairs, pursuant to the District's authority to establish fees and charges for extraterritorial service, as set forth in Section 32-1-1001(1)(k), C.R.S. If, in the reasonable discretion of the District, the systems within the Outside Service Area become damaged or otherwise may cause interference or other problems for the District's systems within the Service Area, the District or its agents may immediately proceed to cause necessary repairs to be made and may offset the costs of such repairs by imposing an additional fee within the Outside Service Area.

3. Penalties and Fines.

3.1 Late Fees. Any Service Fee not paid within 30 days of the date of the invoice shall accrue interest at a rate of two percent (2%) per month. Any Service Fee(s) which remains unpaid for a period of 90 days following the invoice date, including interest thereon, shall be subject to an additional penalty of one percent (1%) per month until paid.

3.2 Service Reconnection Fee. If water service is terminated for any reason, the District shall charge a reconnection fee which must be paid before service is restored. The Service Reconnection Fee may reflect all costs associated with the District's termination of the water service, including labor and material costs.

3.3 Lien Removal Fee. If the District has filed a lien with the Mineral County Clerk and Recorder's Office, it shall assess a Lien Removal Fee as a condition of lien removal. The Lien Removal Fee shall be paid along with any reconnection fee, late fees, interest, attorney's fees, and any unpaid balance before the lien will be formally removed. If the District determines that the lien has been filed in error, it shall cause the lien to be removed and shall not assess a Lien Removal Fee.

3.4 Bad Check Fee. A fee will be charged for any check received by the District that is returned for insufficient funds ("NSF"). As set forth in Exhibit A, the fee will be doubled for any subsequent violation.

3.5 Ground Water Discharge to Sewer Penalty. Penalty charges will be established and assessed against any person, company, or corporation who is determined to be discharging ground water to the District sanitary sewer.

3.6 Unauthorized Discharge to Sanitary Sewer Penalty. Discharge of unauthorized materials, including but not limited to: petroleum products, paint, paint cleaner, toxic, poisonous or explosive substances, is prohibited. Such discharge or any other misuse of the District sanitary sewer facilities may result in fines or special charges as deemed necessary by the

District Manager. In addition, applicable provisions of Ordinance 334 regarding prohibited discharges shall apply within the Service Area.

3.7 Unauthorized Hydrant Use Penalty. No Customer may use or access District owned and maintained fire hydrants absent prior District permission. Unauthorized use of a fire hydrant will result in a penalty, and a charge for the suspected water used.

3.8 Grease Trap/Interceptor Charge. Any Customer who fails to comply with applicable grease trap or interceptor cleaning and pumping requirements shall be assessed a penalty. The penalty will be doubled the second time such failure occurs, and water service may be terminated if there is a third occurrence. In the event service is terminated, all applicable service reconnection and other penalty fees will apply.

3.9 Special Service Fee. If, in order to enforce compliance with these Rules and Regulations, District employees provide special services at a property which the Customer neglects or refuses to perform himself, or which are not related to the general maintenance of District facilities, then the cost of such work, including, but not limited to all materials, shall be charged to the Customer as a special service fee. Such special service fee shall constitute a perpetual lien on the property until paid.

3.10 Unauthorized Water Use Penalty. Any person found to be using the District's water without having an authorized connection or without paying the applicable Service Fee shall be subject to a penalty of \$200.00 per occurrence. In addition to this penalty, such party shall be required to pay any applicable re-connection fees or special service fees prior to reconnecting to the District's system.

4. Watering Limitations and Administrative Procedures.

4.1 Watering Limitations. Customers are restricted to watering trees and other outdoor landscaping from 6 p.m. MDT to 10:00 a.m. MDT. Outdoor watering between the hours of 10:00 a.m. MDT and 6 p.m. MDT is prohibited. Customers with odd-numbered homes may only water on odd numbered days and Customers with even-numbered homes may only water on even numbered days. Each Customer may only use one stationary sprinkler at a time and watering may not exceed 30 minutes at a time per location. Moving sprinklers as in "tractors" may be used during the appropriate days and times. Installed sprinkler systems which are already in place must be programmed to only turn on one zone at a time and each zone may run for a maximum of 30 minutes during the designated days and times. Every installed sprinkler system within the Service Area must have a backflow prevention device, approved by the District. Every sprinkler system within the Service Area must be inspected and approved by the District prior to the commencement of the outdoor irrigation season in 2009, or before May 1, 2009. The District's water rights are decreed and governed by the "Findings of Fact, Conclusions of Law and Decree" in case number 01CW3 issued by the District Court, Water Division No. 3 on October 12, 2004 (the "Decree"). Pursuant to the Decree, Customers with property within Mountain Valley Estates (Creede Haven Nos. 2 and 3) are permitted to water up to 800 square feet of outdoor irrigation. All Customers within Mountain Valley Estates are required to water the tree on their lot provided by the Mountain Valley Property Owners Association. Any

Customer within Mountain Valley Estates may irrigate more trees and/or lawn that permitted by these Rules and Regulations and the Decree: (1) if the Customer obtains additional water rights to augment such irrigation as contemplated by the Decree; (2) if the Customer submits written proof of ownership of such additional water rights to the District; and (3) if the Customer installs a water meter at his or her expense.

Additional Limitations within the Outside Service Area (Creede Haven No. 1)

Customers within the Outside Service Area (Creede Haven No. 1 or "CH-1") are advised that the Division of Water Resources may place a "call" on the Rio Grande River that may put the well supplying water to CH-1 out of priority. If this occurs, only in-house water use is permitted. The original augmentation plan for CH-1, as approved by the Division of Water Resources, allowed 90 days of in-house use only. The augmentation plan has been modified so as to allow in-house use year round (365 days per year). The water system in CH-1 was not designed for outside irrigation. The maximum allowed rate of pumping for the system supplying water to the Outside Service Area is 60 gallons per minute ("GPM"). Outdoor irrigation may cause reduction in pressure necessary to supply water for in-house use. Any new irrigation system installed within CH-1 must be approved in advance by the District and shall be designed to have only one sprinkler head operating at a time, for no more than 30 minutes per station. The District will take whatever actions are necessary to regulate irrigation within the Outside Service Area to preserve adequate pressure in the system so as to ensure water is available for in-house use.

The penalties for violation of this Section 4.1 are set forth in Section 4.2 and Exhibit A.

4.2 Unauthorized Irrigation Penalty. Any Customer who irrigates in an amount or at a time in violation of the provisions of these Rules and Regulations will be subject to a fine of one hundred dollars (\$100.00) for the first violation. Penalties for the second and subsequent violations are set forth in Exhibit A. The District Manager shall be empowered to determine the presence or absence of a violation. After three violations the District may commence procedures to terminate water service to the Customer.

4.3 Drought Conditions. Drought conditions are not uncommon in the Service Area. The Board, in its sole discretion, may make a determination that drought conditions exist.

4.3.1 Limitations Imposed During Drought. In the event the Board shall determine that drought conditions exist, the District may take such action as it deems necessary or advisable to ensure the efficient use and conservation of limited water supplies within the Service Area. The District may adopt supplemental regulations relative to water rationing, time of use schedules, limitation of use, and such other measures as it deems necessary or appropriate for the conservation of limited water supplies, ensuring continued water availability, and appropriate utilization of limited water resources.

4.3.2 Responsibilities of Customers During Drought. It shall be the responsibility of all Customers to carefully observe all rules, regulations, and prohibitions established by the District in the event the Board shall determine that drought conditions exist. The unavailability of water or limitation of water use at certain times shall not relieve the Customer from the payment of all

fees and charges established by the District pursuant to the fee schedule attached hereto as Exhibit A.

4.4 Incorrect Meter Reading. The District generally does not mandate meters for residential Customers, but it may require residential or commercial users to install meters. If a water meter malfunctions or fails to properly register water used, the Customer will be charged the average consumption of the previous two billing periods. The Customer shall notify the District immediately upon suspicion of such malfunction, and arrange with the District for the meter's repair or replacement prior to the next reading cycle. All costs associated with such repair or replacement shall be the responsibility of the Customer.

4.5 Payment Procedures. Payment of normal fees and charges may be made in person or by mail to the District's bookkeeper at the address set forth in Section 2.1 of these Rules and Regulations. The District may require payment in person utilizing Cashier's Check, Money Order or cash (exact change) in the case of a fine, penalty or other unusual charges.

4.6 Payment Responsibility. The owner of property served by the District is ultimately responsible for the payment of water and sewer service bills and any fees, charges or penalties described herein. If the owner rents or leases the property to another party, the District will normally bill the occupant for charges. The owner of the property has responsibility to notify the District of the following information in writing, as applicable: (1) the name(s) and mailing address of the tenant of the property, (2) the lease commencement date; and (3) the lease termination date. Upon receipt of such information, the District will proceed to bill the occupant / lessee for the water and sewer service fees described herein. If the owner fails to supply this information to the District, the District shall continue to bill the owner of the property for the same. The occupant's failure to pay amounts due does not relieve the property owner of responsibility for such amounts and any related penalties and fees, whether such occupant remains in the property or not. Water service may be terminated and a lien may be placed on the property until all fees, charges and penalties are paid.

4.7 Utility Easements. The District has and may require additional easements for the purposes of construction, replacement, improvement, repair, maintenance and operation of utility facilities, including, but not limited to pipes, manholes, fixtures, water and wastewater collection lines, and appurtenances. No building, structure, trees, shrubs, fences, landscaping other than a lawn, or other improvements shall be placed or constructed on or within said easements without prior District permission. The District shall have the right to remove all obstructions or improvements from the easements which interfere with the activities above, without liability to any Customer. The District agrees that if it is required to disturb the surface of the easement for construction, maintenance or operation of the facilities, it shall restore the surface to substantially the pre-disturbance condition.

4.8 Suspicious Activity. Customers are asked to report any suspicious activity in or around any District facility as soon as possible. If it appears that vandalism or other criminal activity is involved, customers should contact the Mineral County Sheriff first and then contact the District.

4.9 Tampering. Pursuant to Colorado statutes, tampering with water meters, curb stops, and other plumbing devices for the purpose of reducing water use recording is illegal, and will be prosecuted accordingly. Tampering includes but is not limited to interference with District workers performing their operational duties and turning on the water service without authorization to a property where it had been turned off by District personnel.

4.10 Use of Sewer. No toxic, explosive or dangerous materials may be discharged into a property's drain or into a District manhole. No Customer or other party may discharge any items into a property's drain or into a District manhole that would cause the District or entities with which the District contracts to violate or exceed applicable wastewater regulations. Examples of prohibited items include but are not limited to: oil, gasoline, paint, drugs or drug paraphernalia, fireworks, and grease. Anyone caught discharging prohibited items may be prosecuted, fined, and risks termination of water service. As set forth in Section 3.6, applicable provisions of Ordinance 334 regarding prohibited discharges shall apply within the Service Area.

4.11 Residential or Commercial Access. The District shall have the right of access to any property within the Service Area for the purpose of maintenance or to investigate suspected violations or problems. In the event the issue does not constitute an emergency, in the District Manager's sole discretion, the District shall first attempt to arrange an appointment with the property owner or occupant. The District shall make reasonable attempts to contact the owner or occupant prior to entry. If the District Manager determines that the owner or occupant is intentionally denying access to the property, the District may initiate water service termination procedures. Water service restoration will be subject to all applicable fees and penalties. District staff will present adequate identification prior to entry.

In the event the District Manager determines that a water leak or other event constitutes an emergency, and attempts to turn off the service from outside the property have failed, the District may enter the property to attempt to remedy the emergency. The District will not be responsible for any damage when reasonable precautions are taken.

4.12 Termination of Water Service by District. Water Service shall be subject to termination by the District upon the occurrence of:

A. Non-payment of fees and charges established by the District and set forth in the fee schedule attached hereto as Exhibit A, as the same may be amended from time to time.

B. Non-compliance with any section of these Rules and Regulations relating to matters other than the payment of fees and charges.

4.13 Notice of Termination. Notice of termination by the District shall be sufficient if given by any one (1) of the following:

A. Regular first-class United States mail, postage prepaid, sent to the Customer's address as shown in the District's records; or

B. Certified mail, return receipt requested, sent to the Customer's address as shown in the District's records; or

C. By hand delivery to the address at which the Customer receives service from the District.

The notice shall be deemed complete upon (i) deposit in the United States mail, if the notice is sent by mail; or (ii) delivery to a responsible adult residing at the address at which the Customer receives service, or, if none, upon posting the notice at the main entrance of such address, if the notice is personally delivered. The period for compliance shall be as set forth in the notice.

5. Construction Procedures. All construction of water and sewer infrastructure will be completed in accordance with the District's specifications and further instruction set forth herein.

5.1 Water and Sewer Service Line Installation. The District will provide specific instructions for such service lines at the time of request for tapping into said systems, and prior to installation. The builder or contractor may only deviate from such instructions with the written permission of the District. The excavator shall follow the District specifications and shall call for an inspection when connections are made, prior to any backfill. The water "stop box" will either be left exposed at ground level, or restored to that position prior to closing of the unit.

5.2 Meter Kit Installation. All commercial properties will be metered. The District may require meters for residential properties within the Service Area. Meter kits will be installed per District specification and inspected by District personnel prior to the commencement of service. Incorrect installation could result in water service disconnection and/or forfeiture of fees paid. The builder and/or the Customer will be responsible for purchase and installation of the appropriate meter kits for commercial properties.

5.3 Sumps and Sump Pumps. In many cases builders install sumps in basements to collect drainage and runoff from outside the foundation. In other cases homeowners have installed sumps in basements due to infiltration of ground water. In all cases a pump should be installed in the sump and the water should be pumped OUTSIDE the house (away from the foundation). In no case will ground water of any kind be pumped or otherwise dumped down the basement sewer drain. Failure to comply with this regulation may result in termination of water service and/or fines.

5.4 Water Valve Stop Boxes (Curb Stops). Upon final inspection and installation service line, the water valve "stop box" must be visible and accessible for District use. The top of the box must be 2-3" above the ground's surface.

5.5 Grease Trap/Interceptors. The District may require a grease trap or interceptor be installed on any appropriate commercial property. The District will issue a discharge permit and specifications for the device's construction.

6. Maintenance Policy. The Customer shall be responsible for all maintenance and repair of the Customer's service lines. The District shall not be responsible for determining the location and/or depth of any Customer's service lines.

6.1 Ownership. The District owns all water and sewer main infrastructure, including service lines up and including the water curb stop. The District will maintain its system at no direct cost to the Customer, unless the District determines that the Customer caused the damage to the system.

Service lines downstream of the curb stop and upstream of the sewer main are owned by and are the maintenance responsibility of the Customer. Each Customer shall be solely responsible for the payment of all costs related to the installation of the Customer's service lines from the curb stop or control valve, as applicable, to the property served. In addition, the Customer shall own the commercial and residential water meters, if any. All water and sanitary sewer service lines (and meters, if any) shall be installed in accordance with applicable codes of the State of Colorado and any other local governmental authority having proper jurisdiction.

6.2 Sewer Plumbing Maintenance Procedures. The District will respond to any call regarding sewer service backups. If the District determines the backup is in the main or on the District side of the service line, District staff will make repairs. If the backup is in the Customer service line, the customer will be responsible for any repairs.

6.3 Water/Sewer Service Line Maintenance Procedures. The District is responsible for water and sewer mains and for the water service line from the main to the curb stop. The maintenance for the service lines from inside a Customer's property to the curb stop is the Customer's responsibility. If there is a water leak in the service line, District personnel will determine whether the leak is in a location maintained by the District or by the Customer. If it is at a location maintained by the District, the District will make or contract for repairs, and take whatever measures are necessary to shut down the system. If the leak is at a location maintained by the Customer, the District will shut off service and require repairs by the Customer, and an inspection of said repairs prior to burying the line and reinstating water service. The District will attempt to preserve landscaping and other property when acting to maintain its water or sewer lines, but shall not be responsible for restoring any landscaping or property as a result.

The outside curb stop will only be used for emergency and administrative use (failure to pay bills). Only District personnel and licensed operators specifically authorized by the District may operate the curb stop. Each Customer shall install, maintain, and use a shutoff valve to turn water on and off for the Customer's convenience. The shutoff valve shall be located downstream of the water meter or curb stop. The District's control valve or curb stop may not be used by the Customer or any of their agents or representatives without the express written approval of the District. Unauthorized use of a curb stop shall constitute illegal tampering of the District's system.

Sewer service line clogs are generally the Customer's responsibility; however, if a TV inspection by a "roofer" service determines the clog or break is within the sewer main, the District will assist in confirming the actual location and cause, and assume responsibility for repairs where

appropriate. If damage is done to the District system by a contractor (roofer service, excavator, etc.) hired by the Customer, repairs to the District system will be at the Customer's expense.

6.4 Liability of District. The District will not be liable for any damage to the Customer's property to which it delivers service, injury to the Customer, or others on the property caused by interruption of water service, reduction of water supply, reduced or excessive water pressure, or quality of water delivered to the property but will, whenever reasonable, give Customers reasonable advance notice when it is known that water service is to be interrupted.

6.5 Liability of Customer. The Customer shall be liable for any damage to the District's water and/or sanitary sewer system which is caused by an act of the Customer, its tenants, agents, employees, contractors, licensees, or permittees. Damage to the District's systems shall include, but not be limited to, breaking of seals and locks, tampering with water meters or curb stops, water meter stops, and other water service and sanitary sewer service appurtenances. The Customer responsible for the damage or tampering shall be subject to fines and penalties as established by the Board and/or shall have water service terminated by the District.

7. Remedies.

7.1 Appeal. Any Person aggrieved by a ruling or interpretation of the provisions of these Rules and Regulations may submit a written appeal to the District's Manager. The appeal shall set forth the events and circumstances leading to the appeal, the nature of the ruling or interpretation from which relief is sought, and the nature of the impact of the ruling on the appellant, together with any other reasons for the appeal. The District Manager shall take the matter under consideration, hear testimony if deemed necessary, and issue a written decision to the appellant affirming, denying, or modifying the interpretation or ruling. If no individual is functioning as the District Manager at the time a Customer wishes to appeal a ruling or interpretation of these Rules and Regulations, Section 7.2 below shall apply.

7.2 Appeal to Board. If the appellant considers that its grievance has not been handled in a satisfactory manner, the appellant may apply to the Board for review of the matter within thirty (30) days from the date of the written decision of the District Manager. The Board may make an independent review of the case, obtain additional evidence, and hear additional testimony on the matter as it deems necessary or the Board may restrict its consideration to the record. Within sixty (60) days following receipt of the appeal to the Board, the Board will prepare a written decision on the matter which shall be sent to the appellant. In lieu of a hearing by the Board, the Board may appoint a hearing officer to review the appeal of a decision by the District Manager.

8. Effective Date. These Rules and Regulations are hereby adopted and effective this 4th day of December, 2008.

DEEP CREEK WATER AND SANITATION
DISTRICT

Chairman and President

ATTEST:

Secretary

EXHIBIT A

DEEP CREEK WATER AND SANITATION DISTRICT
FEE SCHEDULE

EFFECTIVE JANUARY 1, 2008

The Deep Creek Water and Sanitation District currently charges a combined water and sanitary sewer service fee (the "Service Fee").

Service, Connection and Tap Fees

Service Fee (monthly, paid to District) - \$46.00
Water Tap Fee (paid to District) - Water Service \$750.00
Sewer Tap Fee (*paid to City of Creede*) - Sewer Service \$500.00
Sewer System Development Fee (*paid to City of Creede*) - Sewer Service \$2,500.00
Sewer Connection Fee (paid to District) - \$400.00

Penalties and Other Charges

Interest accrues on unpaid Service Fees at rate of 2% per month. If account is 90 days or more past due, additional penalty interest at rate of an additional 1% per month shall accrue.

NSF check, first return - \$25.00

NSF, second or subsequent return - \$50.00

Prohibited plumbing or device (e.g. bypasses, unmetered water lines) - \$1,000.00

Outside watering violation, first violation - \$100.00

Outside watering violation, second violation - \$250.00

Outside watering violation, third violation - \$500.00 + water shut off

Grease Trap / interceptor violation, first violation - \$100.00

Grease Trap / interceptor violation, second violation - \$250.00

Grease Trap / interceptor violation, third violation - \$500.00 + water shut off

Special service fee (Section 3.10 of Rules and Regulations) - Billed at actual cost + 5% administrative fee

Reconnection Fee - Water \$200.00

Unauthorized water use penalty (per occurrence) - \$200.00

Process shut-off letter - \$25.00

Process lien - \$100.00

Lien removal fee - \$100.00

Minimum fee for legal agreement processing - \$200.00

Legal and engineering fees for property development service agreements, etc. Billed at actual cost + 5% administrative fee to builder / Customer

Note 1: *Termination for Non-Payment*

The District may terminate water service to any Customer for which payment is delinquent. The water service may not be restored until all delinquent bills are paid in full, including all applicable charges set forth in this Exhibit A.

Note 2: *Recovery of Costs*

In the event of delinquency in the payment of any fees or charges, including installation charges, the District reserves the right to assess interest on delinquencies from the due date, reasonable attorney's fees, reasonable penalties, and other costs of collection. The Board may amend, modify, or revise all such fees, charges, and/or penalties from time to time by modifying the fees and charges set forth in this Exhibit A.

Note 3: *Customer Responsibility*

All fees and charges for service shall be initially billed to the Customer who is the owner of the property making application for water and sewer service. Upon request from the occupant of the property, the Service Fee shall be billed to such occupant, provided, however, that in the event of delinquency, such charges shall thereafter be billed to the record owner of the property and shall remain a perpetual statutory lien against the property until paid in full in accordance with applicable law. In the event the charges shall remain delinquent, the District may record written notice of the lien with the Mineral County Clerk and Recorder and may take any other action authorized by law to enforce payment of such lien.

Note 4: *Notification of Changes*

The Customer shall be responsible to keep the District advised of the address to which all bills are to be mailed. The failure to receive a bill from the District shall not relieve a Customer of any payment obligation to the District.

Note 5: *Disputed Bills*

Any request for investigation of a disputed bill must be made in writing to the District who shall investigate such matter as it deems appropriate. The District shall respond to the Customer within thirty (30) days following receipt of such written request. Said response may contain any information obtained by the investigation and shall contain the decision of the District.

Amendments to Rules and Regulations

A. Section 4.6 of these Rules and Regulations amended to include the following language:

"The owner of the property has responsibility to notify the District of the following information in writing, as applicable: (1) the name(s) and mailing address of the tenant of the property, (2) the lease commencement date; and (3) the lease termination date. Upon receipt of such information, the District will proceed to bill the occupant / lessee for the water and sewer service fees described herein. If the owner fails to supply this information to the District, the District shall continue to bill the owner of the property for the same."

Effective Date of Amendment. The above amendment to the Rules and Regulations is hereby adopted and effective this 5th day of March, 2009.

DEEP CREEK WATER AND SANITATION
DISTRICT

Chairman and President

ATTEST:

Secretary