OUTLINE TO REVIEW SYSTEM EXPANSIONS REQUESTED BY BUILDER/DEVELOPER OF RESIDENTIAL OR BUSINESS LOTS

The Southern Black Hills Water System (Southern Black Hills) has in place general rules and obligations of developers and use of the system. See for example, Policy Book Section 200 and 305. The following sets forth a process established by Southern Black Hills for analyzing and potentially including future developments into the system.

I. Initial Analysis of Water Availability.

a. Developer of lots that desires to access and connect to Southern Black Hills' system may, as a preliminary step, provide Southern Black Hills the legal description of the property to be developed, projected use of water (residential, commercial or other) and projected water connections. Developer will provide planned use of the properties such as whether lots will be a single family residence, duplexes, apartments or business connections.

b. In the subdivision of property, Southern Black Hills' policy shall not allow single water line taps on its primary mains but requires the installation of secondary mains for the subdivision (subdivision is the dividing of any parcel of property) off of the existing Southern Black Hills' main. By way of example, even in situations where a developer is developing multiple lots along a parcel parallel to an existing Southern Black Hills main, the developer shall install a main connection to Southern Black Hills primary main that run a main parallel to the Southern Black Hills main and connect the residences. In a situation where the developer may be creating ten residential lots along the frontage, the developer will install a tap off of the primary main and then provide easements in front of the developed property for a secondary main developer will install that running parallel at some distance from the Southern Black Hills main. That secondary main would be tapped by the respective houses. Southern Black Hills may require the developer to install both a meter and shut off valve at or near the connection.

c. Engineer's Estimate of Water Availability. The developer at this preliminary step shall provide all details necessary for Southern Black Hills' engineer to make a determination of what the water demands would be for the proposed development to calculate whether Southern Black Hills has sufficient water capacity to serve that demand for the development and/or whether additional storage or other improvements might be needed as part of the development. Developer shall submit with its request for a review a $500.00 fee for the engineer to perform a water availability review and analysis. The developer shall be responsible for the entirety of Southern Black Hills' engineer's review to determine capacity requirements and water availability if the cost exceeds $500.00.

II. Development Plans.

a. Developer shall provide a master plan for the entirety of the area seeking to be developed to Southern Black Hills. The master plan will include the number of lots, lot sizes, lot dimensions, topography information (as a matter of course this should include USGS quadrangle and/or LIDAR topo) and grading plans. If the subdivision is to be in phases the following information shall be provided for each phase:

i. Typical road sections, surface width and ditch depth;
ii. Will the ROW be dedicated or easement provided for roadway;
iii. Proposed water line route and service to individual lots including meter pit locations;
iv. Timeline for construction; and
v. Timeline for anticipated completion of development, infrastructure and building buildout.

b. Upon review of the preliminary information received from the developer, Southern Black Hills will note any items or special requirements. Southern Black Hills will also provide the location of where it desires an easement for the water system lines and improvements. As a general rule, Southern Black Hills will require that the water line main be placed outside of any public right of way, whether dedicated or established by easement. The water line may be located just outside the right of way. This requirement is imposed to ensure that a public entity that controls the roads cannot in the future make Southern Black Hills move at its cost the water line. An easement prepared by Southern Black Hills will be recorded setting forth the location of the waterline easement.

c. After submission of the master plan and supporting information, Southern Black Hills will provide preliminary comments regarding the subdivision plan. The intent is that these preliminary comments can be provided to avoid the need for the developer to change or modify plans after completing engineering design of the water system.

d. If it is determined that there are common facilities necessary to be upgraded or improved to support the subdivision that are not within the subdivision area, developer shall pay the costs for such upgrades or improvements. Costs for future housing developments shall follow the requirements of PB 305(a) that states as follows:

> Applicants for service planning a Future Housing Development will be required to pay the following:
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> (1) A proportionate share of the cost of the portion of the common facilities of the project necessary to deliver water to a common delivery point most convenient to the Future Housing

Development. Southern Black Hills shall decide the proportionate share.

(2) The cost of any pipeline, connectors, pumping stations, tanks, valves and other appurtenances constructed for the sole purpose of delivering water to the Future Housing Development from a common delivery point designated by Southern Black Hills.

(3) Upsizing of Mains. If a secondary main to be installed by developer or an extension of Southern Black Hills' main to a development are to occur, Southern Black Hills may require a developer to upsize the main if it is determined in Southern Black Hills' sole discretion that the advanced Southern Black Hills main or the secondary main will be necessary in the future to serve other areas. If it is determined that upsizing will be in the best interest of Southern Black Hills, developer and Southern Black Hills shall come to an agreement as to the excess costs resulting from the upsizing of the main and enter into an agreement to reimburse the developer for an agreed amount for the upsizing either through direct payment, offset of hookup fees or developer receiving future payments from third parties that will connect or use the capacity resulting from the upsized main. Any future payments or credits shall be always limited to hookups occurring within five (5) years of completion of the project.

e. Developer will provide an engineered set of plans for the extension of the water system. Engineered plans shall be reviewed by Southern Black Hills' engineer prior to the submission of the plans to the South Dakota Department of Agriculture and Natural Resources for review. The water plans shall include any storage that Southern Black Hills determines is necessary to properly serve the subdivision.

III. Installation of Water Improvements.

a. Developer shall be responsible for paying all costs related to the development and construction of all necessary service lines and distribution systems within the water facilities construction. The water system shall be to the specifications required by Southern Black Hills and all regulatory agencies.

b. For any improvements to the existing Southern Black Hills system that are necessitated to serve the development, Southern Black Hills in its sole discretion may complete the improvements or require developer to complete the improvements. If Southern Black Hills is to complete the improvements, developer will pay the estimated costs of these improvements to Southern Black Hills before Southern Black Hills undertakes the work or provide secondary

agreements to Southern Black Hills, such as an irrevocable letter of credit. If costs are higher, developer shall be responsible for the excess cost .

c. At developer's cost, Southern Black Hills shall have an onsite inspector to review installation of water system within the subdivision. No water line or water improvements shall be covered prior to inspection.

d. During construction and design of the system, where developer or developer's engineers are unsure of what standards to use, they shall adhere to standards established for water line extensions by the City of Rapid City.

IV. Post Construction of Water System.

a. Upon completion of the water system construction and any improvements, the water system, easements and all rights associated with the water system and improvements (easements, permits, etc.) shall be assigned to Southern Black Hills. With the assignment, developer and owner shall provide a 2 year warranty on workmanship on the water system. This will be in addition to any warranty that is provided by the contractor installing the water system. In situations where the developer is an entity, Southern Black Hills may require personal guarantees of the development's owners, other guarantees or bonds to insure the warranty.

b. Developer shall pay for all costs related to the system and provide to Southern Black Hills proof of payment prior to assigning the system to Southern Black Hills. If there exist any liens or claims against the water system, Southern Black Hills shall not be obligated to provide water into the system until all claims by contractors or other lienholders, including banks, are satisfied.

c. As part of construction of the water system, Southern Black Hills may require the developer to install saddle taps, lines, curb stops and meter pits for any future user. Meter pits and curb stops will be provided by Southern Black Hills to the developer. The developer will pay Southern Black Hills its cost for such materials. Pre-payment of materials costs for the project based on an estimated number needed for completion of the project may be required by Southern Black Hills prior to ordering materials.

d. As Built Plans. Developer shall provide to Southern Black Hills a set of as built plans on the water system upon completion of construction. If the project is being phased, as built plans will be provided at the completion of each phase for the work done to date.

V. Future Phased Construction.

a. Southern Black Hills shall, after completion of preliminary design, reserve a set number of connections for the development based on projections and build out. This permits Southern Black Hills in the future to take into consideration the

number of reserved connections for any other requests made to access Southern Black Hills' water system.

b. While systems analysis will be completed for the entirety of a subdivision, where the developer fails to maintain the timeline reflected in the future buildout, future water connections will no longer be reserved or guaranteed. If the developer's timeline is not adhered to, Southern Black Hills in its sole discretion may inform the developer that sufficient capacity is no longer available for future buildout of the project or that additional engineering will have to be completed to provide sufficient water for the subdivision and additional facilities supplied by the developer, such as storage on site.

c. Relinquishment of Taps. If it is anticipated that due to developer's failure to complete timely phasing of the project that Southern Black Hills will reduce the amount of the reserved water taps available to the subdivision, developer acknowledges that Southern Black Hills may have to inform the governmental entity that issues building permits in the area. Upon reduction of taps, subject to water availability, developer may still acquire taps, if available, based on a first come first serve approach.

d. Guaranteeing of Taps. Developer may guarantee taps for a lot by paying to Southern Black Hills at the time of completion of the water system a membership fee for the lot and subsequent monthly minimum payments. The membership fee payment is nonrefundable. Payment of the membership fee will reserve capacity on Southern Black Hills' water system for construction of a water connection on the lot for ten (10) years. While the membership fee will be paid, no membership will be issued until the connection and service is commenced. Membership may be lost if monthly minimums are not paid. At time of connection, connections costs (service line, pit, meter, etc.) shall be paid by developer or developer assigns.

e. Payment of Membership Fee. If the developer does not pay for the tap membership fee, the tap membership fee that Southern Black Hills has in place at the time for request of connecting a lot to the Southern Black Hills Water System and all connection costs (service line, pit, meter, etc.) will be required to be paid by the developer or its assigns before connection of any structure to the water line and the providing of water on the lot for any purpose.

VI. Post Construction.

a. Assignment of all Warranties. The developer shall assign to Southern Black Hills all construction warranties or manufacturer warranties for the water improvements granted by manufacturers or contractors for the water system installed. Developer will ensure that construction warranties and manufacturer warranties are assignable when contracting for construction of the project.

b. Phased in Systems. Southern Black Hills may accept within its discretion ownership and responsibility for water systems that are built in phases as part of a phased in development. Southern Black Hills may determine, in its sole discretion, not to accept responsibility for the water system and leave the responsibility on the developer until the completion of all phases. In such a situation, Southern Black Hills will continue to provide water to end users through the developer's maintained system and accept ownership upon completion of all phases. The developer shall maintain all responsibility to maintain and repair the water system during this period.

c. Execution of Documents. Developer shall execute any documents that Southern Black Hills reasonably requests to document the transfer of the water system and any agreements with the Developer.

d. Real Property Transfers. In addition to transferring all easements where the water system is located, in situations where water infrastructure beyond water lines is developed for the purposes of serving the development, well lots, pump lots and storage lots, will be required to be platted as separate lots and transferred to Southern Black Hills without charge at the completion of the infrastructure build out. All property taxes will be paid by developer upon the lot through date of closing. Property taxes for the year that the lot is transferred may be prorated. In any closing completed by a third party in transferring of the lots, costs will be split between the parties. Water facilities and associated lots will be transferred free and clear of all debt and liens.

VII. Miscellaneous Items.

a. Use of Water for Construction. If developer wishes to use water from the Southern Black Hills water main for purposes of construction, sales of water shall be controlled by the relevant existing Southern Black Hills regulations or Board policies for the sale of bulk water or water for construction.

b. Engineering Fees. Developer shall pay Southern Black Hills engineering fees for review of the proposed water system. In addition, developer will pay for any inspectors required by Southern Black Hills to be on site for reviewing installation and approving installation of water mains and infrastructure.

c. Membership Forms. All end users who will be on the Southern Black Hills Water System shall be required to complete the membership form and pay the membership fee prior to Southern Black Hills providing the water to the lot.

d. Developer Covenants. Developer shall provide a copy of the proposed covenants to Southern Black Hills prior to filing them on the property. Developer may not add any covenants or restrictions on Southern Black Hills' use of any property conveyed to Southern Black Hills for the water system with the exception of limiting the use of lots to utility purposes. Southern Black Hills may require

inclusion in any subdivision covenants an obligation for all lot owners to acquire water through Southern Black Hills as opposed to any third parties or the sinking of any private wells.

e. Bulk Users. This policy does not address bulk users.

f. Deviation from Policy. Any deviations from this policy must be approved by the Board of Directors. Any developer seeking a deviation must put the request for the deviation in writing for the Board of Directors setting forth the specific deviation requested, the reasons for the requested deviation, why the deviation would be beneficial to Southern Black Hills and future users on the system, why the deviation is necessary given any geographical, terrain or other issues and engineering support that the deviation would not cause any issues with the water system.

Adopted by Southern Black Hills Water System, Inc. Board of Directors on _____.