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**ORANGE COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 2**

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DISTRICT BILLING POLICY

In order for us to maintain an excellent water supply and sewer collection and treatment system, our customers need to pay their bills consistently, and on time. These funds allow us to pay our bills, meet payroll for our employees, and maintain the system and equipment. Sometimes customers ask us about our account payment policy. In order to avoid any misunderstanding or confusion, our current billing, payment, delinquent and cut-off policy is stated below. These procedures apply to the billing at the end of December 2001 for the billing period covered by that billing, and for each following month until further notice of a change in policy is sent to you.

1. Meters are read on or around the 15th of calendar month, and bills are sent out during the last few business days of the month during which meter are read.
2. Bills must be paid on time. Payment must be received in our office no later than 4:30p.m. on the 15th day of each month next following the month in which bills were mailed. This deadline is called the "Regular Monthly Due Date." [If you pay by mail and mail your payment on the due date, it will be late; even if you mail the payment the day before it is due, it still may be late if we do not receive it on time. Customers paying by mail need to mail their payment far enough ahead of time to be sure we receive payment by the due date. They may want to follow up on their payment by telephone to be sure we received the payment on time.] If the Regular Monthly Due Date falls on a weekend or legal holiday, the due date for payment purposes shall be the next business day after the due date, again by 4:30 p.m. Payment must be in full, including any prior Late Fees, Service Charges and regulatory assessments. If full payment is not timely received, your account is considered delinquent and will be charged a LATE FEE. (currently \$ 15.00) on the next working day. If you do not have your bill with you at the time of payment, you will be charged \$2.00 (in person or by mail).
3. Delinquent accounts are subject to the disconnection process. On the next business day after the Regular Monthly Due Date, we will give separate, specific notice of our intention to terminate service, which may be required by law or by our Tariff. The notice will contain all of the required information and specify a payment deadline. If we still have not received payment by 4:30 p.m. on the date specified in the notice, two things will happen. FIRST, your account will be charged a Disconnection Fee (currently \$25.00) at the time that our disconnect list is printed on the next business day following that deadline. SECOND, our personnel will disconnect service shortly after that payment deadline.
4. We are not obligated to accept payment of the bill when our employee is at the customer's location to disconnect service. If we choose to accept payment of the bill under those circumstances, in lieu of physical disconnection of service, the customer must pay all charges due, including unpaid charges for utility services, Late Fees, regulatory assessments, and Disconnection Fee. By doing so the customer may avoid both the inconvenience of disconnected service and also avoid incurring the Reconnection Fee if service is later restored (the Reconnection Fee currently is 25.00).
5. If service is disconnected as provided in the preceding paragraph 3, service will remain disconnected until **all charges** against the account are paid in full, including all unpaid charges for utility services, regulator assessments, Late Fees, the Disconnection Fee and the Reconnection Fee.

6. We reserve the right to disconnect service for any reason permitted by our Tariff or by applicable law, and which in addition to due to does applicable law, in addition to the reasons stated in this letter due to or arising from a customer's failure to keep their account current, not prohibit. Similarly, we will not disconnect service for reasons not permitted by our Tariff or for reasons, which are prohibited by applicable law.

7. A disconnected service location whose account is brought current will be restored to active service as soon as our schedule permits, and in any event within 36 hours after the account is brought current. Our personnel will be available within normal business hours to accept payment on the day service is disconnected and the day after service is disconnected, unless the disconnection is at the customer's request or due to the existence of a dangerous condition related to the type of service provided.

As you can see, these procedures can be both complicated and expensive to customers who do not pay their bills on time, in full each month. Unfortunately, the small percent of customers who are chronically delinquent cost the District more than their fair share of time, money and staff effort, so it is only fair that they pay the extra costs associated with their delinquent accounts, rather than the customer base as a whole. We are constantly striving to supply reliable and quality water and sewer service at the lowest possible price. Thank you for your understanding and cooperation in this matter. Please do not hesitate to contact our offices if you have any questions or need further information about the contents of this letter.