UNIFORM RULES AND REGULATIONS FOR THE GOVERNANCE OF WATER DISTRIBUTION SERVICES OF THE ALTA SIERRA MUTUAL WATER COMPANY

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UNIFORM RULES AND REGULATIONS FOR THE GOVERNANCE OF WATER DISTRIBUTION SERVICES OF THE ALTA SIERRA MUTUAL WATER COMPANY

WHEREAS the Alta Sierra Mutual Water Company (Company) deems it necessary for the orderly administration of the Company to adopt uniform rules and regulations consistent with its Articles of Incorporation and By-Laws regarding construction, operation, and maintenance of operation of the water system, including the construction, maintenance, and extension of distribution mains, storage, and treatment facilities; operation of distribution systems and facilities within subdivisions; conveyance of wells, springs, and other surface water resources and appurtenant easements into the Company; and the manner in which water service will be rendered to its Shareholders and to others desiring to use or extend or otherwise connect to the water system and receive water service, it has adopted the following:

SECTION 1: TITLE

1.1 These regulations shall be entitled the Uniform Rules and Regulations for the Governance of Water Distribution Services of the Alta Sierra Mutual Water Company.

SECTION 2: DEFINITION OF TERMS

- 2.1 Applicant. A party owning real property within the Service Area of the Alta Sierra Mutual Water Company applying for water services to a new or existing connection to the water distribution system.
- 2.2 Approved Backflow Assembly. A backflow assembly accepted which meets an applicable specification or as suitable for the proposed use.
- 2.3 Auxiliary Water Supply. Any water supply on or available to the service property other than the Company's public water supply is an auxiliary water supply. Auxiliary waters include water from another public potable water supply or any natural source, such as a well, spring, river, stream, irrigation water, used waters, storage tanks or reservoirs which may or may not originate within the Company. Auxiliary waters may be contaminated or polluted or they may be objectionable and constitute an unacceptable water source over which the Company does not have authority for sanitary control.

- 2.4 AWWA Standards. Standards for Water System components promulgated by the American Water Works Association.
- 2.5 Backflow. The reversal of the normal flow of water caused by either backpressure or back-siphonage.
- 2.6 Backflow prevention assembly. An assembly or means designed to prevent backflow.
- 2.7 Back-siphonage. The flow of water or other liquids, mixtures, or substances into the distribution pipes of the Company's water supply system from any source other than the intended source, caused by the reduction of pressure in the potable water supply system.
- 2.8 Board of Directors. A Board of Directors elected by the members of the Alta Sierra Mutual Water Company in the annual meeting as specified in the By-Laws of the Company.
- 2.9 Capital Improvement Reserve Fund. A reserve fund for capital improvements, which is funded in part from the collection of fees and segregated into a separate fund for the construction of future capital improvements to the water system as, may be required.
- 2.10 Connection Fee. A fee to be charged by the Company in an amount to be determined by the Board to pay the costs of scheduling and making the physical connection to the water system and for the inspection of the member's individual service line and setting a water connection valve.
- 2.11 Contamination. An impairment of the quality of the potable water supply by sewage, industrial fluids or waste liquids, irrigation or other non-potable water, compounds or other materials to a degree which creates an actual or potential hazard to the public health through poisoning or through the spread of disease.
- 2.12 Company. The Alta Sierra Mutual Water Company
- 2.13 Cross Connection. Any physical connection or arrangement of piping or fixtures between two otherwise separate piping systems, one of which contains potable water and the other water from an Auxiliary or non-Company source or non-potable water or storage tanks or reservoirs of questionable safety, through with, or because of which, backflow my occur into the potable water system. This would include any temporary connections, such as swing connections, removable sections, four-way plug

valves, spools, dummy sections of pipe, swivel or change-over devices or siding multiport tubes.

2.14 Member/Shareholder. The owner of property (ordinarily a shareholder of the Company) who made know that he or she wishes to have a water connection

at some future time and has agreed to comply with Company Bylaws along with its Rules and Regulation.

- 2.15 Shareholder/Member not in good standing: This term refers to a shareholder/member who has not met the conditions afforded by their membership and who has been deemed a member in not good standing by the Board of Directors. The member has not upheld their obligation to pay all fees and assessments by the prescribed due dates and therefore forfeits their shareholder/membership rights to acquire water from our company's distribution system, as well as the loss of their voting privilege.
- 2.16 Dwelling Unit. Any structure within the approved service area of the Company that is inhabited full time or part time by any individual.
- 2.17 Landlord. The owner of record of any rental property located within the Service Area of the Company and leased or available for lease to others whose property receives water service from the Company.
- 2.18 Lot. Any surveyed and platted parcel located within the service boundaries of Alta Sierra Tract 1 & Tract 2. Membership in the Company is required to be appurtenant to these Lots.
- 2.19 Lot Owner. Owner of record of any lot property residing within the boundaries of the Company's service area (a shareholder/member of the Company).
- 2.20 Main Transmission System. The primary water storage, transmission lines, wells, pump stations, and appurtenant facilities owned by the Company to transport and distribute water to the service properties located within the Company's approved service area.
- 2.21 Meter. An AWWA approved device for monitoring water consumption.
- 222 Resumption of Service Fee. A fee imposed as a condition to resuming service to a specific connection and to cover the costs of re-establishing service where service had been terminated at the Shareholder's request, for

termination resulting from non-payment of service charges, for establishing new Shareholder accounts to existing connections, or for any other reason resulting from Shareholder's non-compliance with specific rules.

- 2.23 Service Area. The Company's service area includes areas specified in the Alta Sierra's Articles of Incorporation or it's By-Laws-
- 2.24 Service Connection. The physical joining of the Companys Distribution System to the individual service line. This is company property and will be serviced by ASMWC.
- 2.25 Service Line. The individual service lateral water line from the Company's water connection valve to the dwelling. This is the property of the Shareholder and they are responsible for their own maintenance.
- 2.26 Service Mains. The Company's lines located in the streets and other easements from the main transmission lines to which the individual Service Lines are connected for the purpose of receiving water distribution services.
- 2.27 Repair and Replacement Fund Fee. An assessment imposed upon a member without a service connection to partially offset the costs of repair, constructing, and maintaining the water system distribution, storage, and supply in a condition that the member may receive water services upon applying for a connection.
- 2.28 Subsequent Shareholder/Applicant. The Shareholder or Applicant to who a Lot is transferred or sold and who is applying for water services from the water distribution system.
- 2.29 Water Service Letter. A service provider commitment letter issued by the Company on behalf of an Applicant indicating the Company's willingness and capability to provide water distribution services to Applicant's property.

SECTION 3: WATER SERVICE REGULATIONS

3.1 Services

3.1. Services to be Provided. The Company shall provide water services to Members for the Lots located within the Service Area of the Company. The Company is committed to providing water service on a year around basis as

feasible, considering present and future fiscal and engineering constraints, as well as, weather conditions which impact the Company's ability to provide water.

- 3*1.1. Acquisition of System. Service will be provided through facilities, systems, and property already owned and as may be acquired for this purpose through construction(s), purchase, lease, contract, rental, donation, gift, or condemnation, or any combination of the foregoing, or through any other lawful means available to the Company under its expressed or implied powers.
- 3.1.2. Applications for Services. Each Applicant must apply in writing to the Company for water service and agrees to pay the water service fees and other charges imposed for water delivered to the Member. Each application must be accompanied with evidence that all fees, including the connection fee and current assessment fee (if applicable) have been fully paid.
- 3.1.21. Consideration of Applications. Each application that meets the above requirements will be considered and approved in the order in which the application is received according to postmark date. Applications that require new service connection will be approved in the order received at such time as the Company has sufficient water source, storage, and distribution capacity to render service. When a connection is approved the Company will provide a Water Service Letter.
- 3.1.2.2. Water Connection Agreement. All Shareholders requesting new water service shall sign the Application and Agreement for Water Services before the Water Service Letter will be issued. This agreement verifies that the Shareholder has received a copy of the Alta Sierra Mutual Water Company's Rules and Regulations, has read and understands the rules and regulations, and agrees to fully comply with all the rules and regulations in force or which may be enacted in the future.
- 3.1.3. Express Conditions. Each Shareholder agrees to comply with the rules and regulations of the Company as they now exist or as they may be amended in the future. Water service is currently provided for household use only and is restricted to the member's lot that lies only within the ASMWC's distribution system boundaries.
- 3.1 A. Prohibited to Obstruct Water System: It is prohibited to place any obstruction that will prevent the normal operation of the water system including drain valves, pressure reducing valves, fire hydrants, shut off

valves, connection valves, etc. This includes all damage and obstructions caused by digging, planting vegetation of any kind, grading of roads, snow plowing, or any other means.

- 3.1.4.1. All Valves Marked: Ali drain valves, pressure-reducing valves, shut off valves, connection valves, etc. should be marked by the Company with a sign that easily identifies where the Company's valves, connection valves, etc are located. This will serve as a notification that any and all obstructions within five feet should be removed to allow access to the water system. In the event the sign has been removed or is not evident for any reason, and an obstruction has occurred by a shareholder, the Company shall notify the Shareholder verbally or in written form that an obstruction has occurred and must be remedied by the Member.
- 3.1.4.2. Fine for Obstructing Water System: All obstructions that prevent the normal operation of the water system will be subject to a fine in an amount not less than \$50.00. The fine may be increased at the option of the Board of Directors to cover any damage to the water system resulting from the obstruction or to cover the actual cost of removing the obstruction.
- 3.1.4.3. Shareholder Given Notice to Remove Obstruction: Except in cases of emergency, the Member will be given 10 days notice to remove any obstruction preventing the normal operation of the water system. In the event of an emergency, or if the obstruction is not removed within 10 days of receiving notice, the Company may remove the obstruction and bill the Member for the cost of removing the obstruction and for any damage caused by the obstruction.
- 3.1.4.4. Cost to Remove Obstruction Included in Yearly Water Service Fees: In the event the Shareholder does not reimburse the Company for the costs to remove any obstruction or for damage caused by the obstruction, the Shareholder shall be deemed to have given consent to the Company to add the costs, with interest and any costs, to the yearly fee assessed by the Company. Failure to pay these additional costs will result in a delinquent account and shall be subject to the same collection of delinquent charges discussed in Section

3.3.5

3.2 Company to Own Distribution System. The Company shall hold title to the Main Transmission System, the Service Mains, and the service connections from the Service Mains to the property line of each individual Shareholder, including the connection valve, connection valve box,

connection valve gauges, backflow prevention device, meters, shutoff valves, and all appurtenances. The Company shall maintain, repair, and replace the same in perpetuity at their own expense, unless damage is caused by the Shareholder. The cost of any damage caused by the Shareholder shall be billed to the Shareholder.

- 3.2.1. Service Lateral Lines. The Company's obligation for operation and maintenance of the Service Line shall terminate at the property side of the water connection valve.
- 3.2.1.1. Shareholder Responsibility for Service Line. Each Shareholder shall own and shall bear the sole responsibility for repair, upkeep, and maintenance of the Service Line from the property side of the water connection valve to the premises being served.
- 3.2.1 PI. 1. Property Damage and Repairs. The Company is not responsible for any leaks or damages caused by leakage in the Service Line on the property side of the connection valve.
- 3.21.1.2. Lock on Shareholder's Shut-Off Valve and Frost Free Hydrant. The Shareholder may not attach a lock to the main shut-off valve or the frost-free hydrant on the Member's property unless given written permission by the Company. In the event of an emergency because of fire or other similar circumstances, the Company has the right to use the Shareholder's service line and facilities and may remove any lock by any necessary means. The removal of any lock will be at the Member's expense and without liability of any kind to the Company in order to use the water to help extinguish a fire or mitigate an emergency.
- 3.2.1.1.3. Emergency Water Shut Off. When property damage or life is threatened, or contamination of the Company System is likely, the Company may, without incurring liability, shut off the water service to the property in order to mitigate damage, prevent waste of water, and to prevent contamination of the water supply. Water service will not be restored until the Member has resolved the problem.
- 3.2.1.1.4. Pressure Reducing Valve- Each Shareholder shall install a pressure reducing valve on the Shareholder's side of the connection valve to protect the Shareholder's property. The Shareholder acknowledges that the water pressure on the Company's side of the connection may from time to time exceed 100 psi, and that the Shareholder must maintain an appropriate pressure reducing valve or such pressures may cause the service line or pipes

within the property to rupture causing substantial damage including damage to the contents, structure, or foundation. The Shareholder acknowledges that the Company is not responsible for installing or maintaining pressure reducing valves, and is not responsible for any damage caused by excessive water pressure in the water distribution system.

- 3.2.2. Prohibition Against Tampering With Company Property. No one shall damage, tamper with or modify any property owned by the Company including its fire hydrants, valves, connection valves, meters, lines, tanks, pumps, or any part of the water distribution system, except with prior written permission from the Company. If such damage, tampering or modification occurs, the Company shall immediately contact the Kern County Sheriff for prosecution and shall assist in any way possible with any prosecution. If the Member is responsible for the tampering, the Company may prescribe a fine or discontinue water service to the Shareholder's property at the request of the Board of Directors.
- 3.3. Water Service Fees. The Company shall impose as assessments made pursuant to its Articles of Incorporation and By-Laws, fees for water delivered to each service connection. The assessments and fees shall be set by the Board of Directors from time to time as deemed necessary to keep the Alta Sierra Mutual Water Company fiscally sound, including the following:
- 3.3.1. Annual Service Fee. All Shareholders having a water connection shall pay a service fee for water billed annually in an amount determined by the Board.
- 3.3.2. Repair and Replacement Fund Fee. The Company shall impose a water service "Repair and Replacement Fee" against each owner of property to help insure that the Company has sufficient revenue to cover the reliability of the entire Water System and facilities constructed to serve Shareholder property.
- 3.32.1. Water Service Repair and Replacement Fund Fee Payable. The Water Service Repair and Replacement Fund Fee shall be charged annually. This fee is subject to change from time to time as by vote of the Board of Directors and represents 50% of the annual fee charged to a member with a water connection.
- 3.3.4. Leaks. Leaks on the Member's side of the connection valve shall be the responsibility of the Member and shall be subject to regular water usage

- charges, except as noted below. Leaks on the Companies side of the connection valve shall be the responsibility of the Company.
- 3.3.5. Collection of Delinquent Service Charges. Any service fees or other charges imposed by the Company shall be delinquent if not paid on or before January 31 st of each year or 30 days aner receipt of the bill, whichever is later.
- 3.3.5.1. Late Fee and Interest Charges. Delinquent assessments will be charged a Late Fee of \$25.00 and will bear interest at the rate of 1.5 percent per month. In addition the shareholder shall be responsible for all advertising and collection costs and other related expenses including attorney's fees.
- 3.3.5.2. Payment of Fees Over Time. Any fees imposed by the Board of Directors are not deferrable and must be paid within the described time.
- 3.3.5.3. Notice of Delinquency. Notification to the member will be rendered when any portion of an assessment remains unpaid on the day when the assessment becomes delinquent and the Shareholder has 15 days with which to respond in order to not be classified as a "member not in good standing".
- 3.3.5.4. Termination of Services for Nonpayment. The Notice of Delinquency shall also state that if the assessment is not fully paid within 10 days of the date of the notice, the Company shall have the right to immediately shut off the water to that residence, lot, unit or property, to which the share of stock is appurtenant and on which the assessment has not been paid, and further that if the assessment remains unpaid on the date set for delinquency, then the shareholders rights will be terminated according to Company Bylaws governing a members expulsion as a "member not in good standing".
- 3.3.5.5. Expulsion of Member for Nonpayment. The Company is authorized to terminate a membership in consideration for all past due assessments. This procedure is set forth in the Company's Bylaws.
- 3.4. Connection Fees. No Shareholder shall be allowed to connect onto the Company's water system or take water there from until he/she has paid the required connection fee that shall be established by the Board and is subject to change from time to time.
- 3.4.1. One Dwelling Unit per connection valve. Not more than one Dwelling Unit shall be connected to any single connection valve.

- 3.4.2. All User service connection valve. All uses of water from the Companies system, except fire fighting use from fire hydrants and water furnished from the hydrant tap shall be from a Company service connection valve.
- 3.4.3. Setting of service connection valve. The service lateral on the Company's side of the service connection valve shall be installed by the Company, if and when all applicable fees have been paid.
- 3.4.3.1. Setting of a water meter. The Company has the right to install a meter on any member's service line for monitoring water consumption. All meters will be maintained by the Company, as they are the Company's property.
- 3.4.3.2. Inspection of connection valve Theft of Water. No water shall be taken through the service connection valve until the Company has inspected and approved the service connection. In the event a Shareholder commences to use water from the Companies water system by circumventing a connection valve or without a connection valve, such use is unlawful and shall constitute a theft of service and shall be punished in accordance with the laws of the State of California. Because of the difficulty of determining the actual cost of water used, the Company finds that \$500 is a reasonable penalty to assess for the use of the water and will be charged on a per occurrence bases.
- 3.4.3.3. Required Valve. A shutoff valve shall be installed on the distribution line to shut off water from the distribution system prior to the connection valve.
- 3.4.4. Connection valve and Service Inspection Access. By connecting to the water system and agreeing to receive water service there from, each Shareholder shall be deemed to have granted to the Company reasonable access to the Shareholder's property to inspect for Shareholder compliance with conditions for water service.
- 3.4.4.2. Access to connection valves Unobstructed. Shareholders shall not obstruct in any way the ability of authorized Company personnel to gain access to water service valves for periodic inspections and maintenance. The cost to the Company to remove any physical obstructions shall be charged to the Shareholder.
- 3.5. Termination of Service. The Company will make every effort to provide continuous service during the approved period of service, but it may become necessary from time to time as described below to terminate service

3.5.1. Temporary Suspension of Service. The Company hereby reserves the right at any time to shut off the water anywhere within its water system

for the purpose of making any repairs and/or extensions, or because of interruption of water service due to the scarcity of water, damage to any water work or facility of the Company, or any other cause beyond the reasonable control of the Company.

- 3.5.1.1 Waiver of Liability. Each water user waives any cause of action against the Company because water service is suspended temporarily for emergency work or other repairs, and no claim or cause of action shall be made against the Company because water service is suspended.
- 3.52. Termination of Services for Violation of Rules and Regulations. In the event of material or persistent violations of the Rules and Regulations, the Company may terminate water service to any Shareholder.
- 3.5.2.1. Notice of Violation. Except in emergency situations, the Company will first provide the Shareholder with written notice of the violation of the Rules and Regulations and will provide the Shareholder an opportunity to cure the default within 30 days prior to the service being terminated.
- 3.5.2.2. Hearing. The Shareholder may request a hearing before the Board regarding any such violation of the Rules and Regulations, which hearing shall be held before service is terminated.
- 3.5.2.3. Notification Period. In the event a violation of the Rules and Regulations is not corrected within the notification period, the Company shall terminate water services to the premises involved.
- 3.6. Sale or Transfer of Premises. Each Shareholder shall immediately report in writing to the Company's business office the sale or transfer of any property and request the termination of service to the premises. Failure to provide such written notice shall result in liability for the costs of continuing services.
- 3.6.1.1. New Application Required. The Subsequent Shareholder/Applicant of the service premises shall be required to make written application for renewed water service and shall agree to pay the service fees and other charges imposed by the Company and comply with all Rules and Regulations of the Company.

- 3.6.1.2. Service Resumed. Upon compliance with all of the foregoing terms and conditions of this subsection, water service shall be restored to the premises.
- 3.6.2. Resumption of Service Fee. A Resumption of Service Fee will be charged all new and existing Shareholders when the water service is restored to the premises. The Company must receive the Resumption of Service Fee before water service will be restored.
- 3.7. Fire Hydrants- An individual may not withdraw water from any fire hydrant without the written permission of the Board of Directors. Only in case of emergency (fire) will an individual be allowed to access the hydrants. Violations will be dealt the same way as theft of water.
- 3.7.1. Theft of Water-Unauthorized Connection. Any unauthorized connection to and use of water from a fire hydrant shall be a violation of these regulations and is unlawful and shall constitute a theft of services and shall be punished in accordance with the laws of the State of California. Because of the difficulty of determining the actual value of the water used, the Company finds that \$500 per occurrence is a reasonable penalty to assess for the unauthorized use of the water. Member in violation will be assessed \$500.00 per occurrence. If this assessment is not paid the member may have their membership revoked, as a "member not in good standing" over this violation. Non-Members will be turned over to the proper authorities for prosecution.
- 3.7.2. Tampering or circumventing a water meter. Since all meters are the property of the Company, it is a violation of these rules to tamper or circumvent any meter placed on a member's service line. Any person violating this rule will be subjected to the same procedure as stated in the theft of water section.
- 3.8. Sale of Water Outside Companies Service Area. It is the policy of the Company to provide water services only to those properties owned by shareholders within its Service Area.
- 3.8.1. Prohibited Service. Any Shareholder providing water services not authorized by specific agreement with the Company to entities outside of the Company's Service Area shall be in violation of these Rules and Regulations, and such action is unlawful and shall constitute a theft of service and shall be punished in accordance with the laws of the State of California. Because of the difficulty of determining the actual value of the

water used, the Company finds that \$500 per occurrence is a reasonable penalty to assess for the use of the water. Continued violations will lead the shareholder to become a "member not in good standings" and will have their service disconnected. Subject to reconnection fees and assessments.

- 3.9. Landlord's Liability for Tenants. The owner of record of any rented or leased property or property occupied by persons other than the owner of record served by the Company shall be responsible for payment of the water service fees and other charges incurred by the Tenant or any other party in possession of the structure receiving service.
- 3.10. Violation of Rules to Waste Water. It is a violation of these Rules and Regulations to waste water and to allow any appliance, fixture, equipment, faucets, or other similar water using facility to leak, overflow, operate in a wasteful manner or for a Shareholder to use water for purposes other than for domestic household use. Wasting water shall include allowing taps or faucets to run for an unreasonable length to time or simply for circulation, using water to drive or propel any motor, turbine, elevator, or propel machinery of any kind, and permitting the use of water on any other property for any purpose.
- 3.10.1. Violation of Rules. Shut Off Service. For violation of these Rules and Regulations, the Company shall be entitled to shut off water service or to file an action to require compliance with these Rules and Regulations by injunctive and other appropriate relief and recover all costs of every kind incurred by the Company, including investigative, engineering, and attorney's fees.
- 3.10.2. Shut Off Main Water Valve When Property Not Occupied: It is suggested that each Shareholder shut off the main water valve to the property when the property will not be in use for extended periods of time. This will help prevent wasting water or possible property damage caused by a leak.
- 3.11. Backflow devices. A backflow device may be installed by the company in order to stem the contamination of the Company's water distribution system.
- 3.11.1. Approved Devices Required. The Company shall provide and install the initial back-flow assembly device at the connection valve at the

Company's expense as part of the new connection valve installation and hookup. Such devices shall be inspected and maintained by the Company at no additional cost to the Shareholder.

3.11.2. All Shareholders shall comply with the Back-flow Prevention and Cross Connection Rules and Regulations.

SECTION 4: MISCELLANEOUS RULES

- 4.1 Lot Combinations. Legally combined lots shall be considered as one lot with respect to payment of the fees starting the year following the date the lots were combined.
- 4.2 Amendments to Rules. These Rules and Regulations may be changed and amended from time to time by appropriate action of the Board. No exceptions to these rules will be permitted without the prior written approval of the Board.
- 4.3 Emergency Situations. In times of water shortage due to drought or any other natural or man-made conditions or occurrences, the Company shall have full authority to declare a water emergency and to ration or otherwise regulate the distribution and use of water from the Company's system. Such action by the Board may include a moratorium on new water connections until the emergency has been alleviated.
- 4.4 Relationship with Articles and By-Laws- These Rules and Regulations are intended to supplement the Company's Articles of Incorporation and By-Laws. In the event of a conflict between the Articles or By-Laws and any of these Rules and Regulations, the provisions of the Articles and By-Laws shall control.
- 4.5 Savings Clause. If any section, subsection, sentence, clause, or phrase of this resolution is for any reason held to be invalid by a court of law, such determination shall not affect the validity of the remaining portions of this resolution, which shall remain binding and enforceable against the Shareholders of the Company.
- 4.6 Effective Date. In consideration of the rapid development of the land within the Company's service area, the Company believes that an emergency exists and that it is necessary for the health, safety, peace, and general welfare of those individuals requesting sene'ice from the Company that this resolution takes effect immediately. Therefore, this resolution shall be in full force and effect from and after the date of passage and adoption

by Alta Sierra Mutual Water Company. Alta Sierra Mutual Water Company Rules and Regulations

Passed and unanimously adopted this 1st day of September 2007.

BOARD OF DIRECTORS:

Joe Hughes, President Kenny Martinson, Director Robert Hand, Director Joe Balas, Director Larry Hoopes, Director