

LINCOLN AVENUE WATER COMPANY RULES FOR WATER SERVICE AND CUSTOMER RELATIONS

Pursuant to the requirements of Senate Bill 998, effective January 1, 2020, and as amended by Senate Bill 3, effective August 1, 2024, the Company has adopted a separate *Policy on Discontinuation of Residential Water Service for Nonpayment* (the “**Service Termination Policy**”), which is attached to these *Rules for Water Service and Customer Relations* (“**Rules**”) as **Appendix A** and is incorporated into these Rules by this reference. To the extent of any inconsistency between the Service Termination Policy and these Rules, the Service Termination Policy shall control.

About Lincoln Avenue Water Company

Lincoln Avenue Water Company (“**Company**”) is a 501(c)(12) tax-exempt corporation, which operates as a not-for-profit mutual water company under California law pursuant to its Articles of Incorporation and By-laws (“**Bylaws**”), as either may be amended from time to time. The Company is managed by a five-member board of directors (“**Board of Directors**” or “**Board**”).

The Company only provides water service to Company “**shareholders**” who are the owner or owners of one (1) or more lots or parcels of real property within the Company’s geographical and legal boundaries of record, as described in the Bylaws, and service connections to the Company’s water mains and water system will be made only for shareholders of record holding the required number of shares of Company stock. The number of shares required shall be at the rate of five (5) shares per acre. Fractional shares will not be issued.

These Rules have been adopted by the Board of Directors pursuant to the Company’s Bylaws, which provide the Board power to make and adopt rules and regulations, not inconsistent with law, its Articles of Incorporation, or its Bylaws, which the Board may deem advisable for the management of the business and affairs of the Company. The Board may, from time to time, with or without notice to shareholders or customers, make changes to these Rules as conditions warrant.

1.01: DESCRIPTION OF SERVICE

A. Quantities: The Company will use its best efforts to supply water dependably and safely in adequate quantities and pressures to meet the reasonable needs and requirements of its customers (as used in these Rules, the term “**customer**” shall include, as the context requires, Company shareholders and/or their tenants or users of water at the shareholder’s property, with the understanding that the shareholder/owner of the property is ultimately responsible for (i) paying all fees and charges and (ii) abiding by all applicable requirements set forth in these Rules below). Notwithstanding the foregoing, the Company does not guarantee any specific quantities, pressures or flows of water.

B. Responsibility for Loss or Damage: Customers shall accept such conditions of pressure and service as are provided by the Company's system and shall hold the Company harmless for any loss or damage to customers resulting from the Company's failure to meet the service goals stated within this section, or due to any interruptions in service.

1.02: CONDITIONS OF SERVICE AND RIGHTS OF THE COMPANY AND CUSTOMERS

A. Notices:

- 1. Notice to Customers:** Notice to a customer will normally be in writing and will be delivered or mailed to the customer's last known address, but notices may be sent to customers via e-mail when requested and agreed to by Company and the customer. In emergencies or similar circumstances, the Company may give verbal notice either in person or by telephone, or by leaving a written notice on the door.
- 2. Notice from Customers:** A customer may give the Company notice in person, by telephone confirmed in writing, by e-mail, or by first class mail or overnight delivery to the Company at its office, located at 564 West Harriet Street, Altadena, California 91001.

B. Interruptions and Shortages in Service: The Company expressly reserves the right to interrupt service when necessary to repair, maintain, or install water lines, meters and other facilities, and to restrict, allocate, or apportion Company water supplies as necessary.

- 1. Emergency Interruptions:** The Company will make all reasonable efforts to prevent service interruptions and, when an interruption occurs, will make an effort to re-establish service as soon as possible, consistent with the safety of the Company's customers and the general public.

Where an emergency interruption of service affects service to any fire hydrant or other public fire protection device, the Company will promptly endeavor to notify the appropriate public officials responsible for fire protection, of the interruption and of subsequent restoration of normal service.

- 2. Scheduled Interruptions:** Whenever the Company finds it necessary to schedule a service interruption, it will, where feasible, notify all affected customers of the approximate time and anticipated duration of the interruption. Planned interruptions will

be scheduled to minimize inconvenience to customers whenever possible.

Where the scheduled interruption will affect service to any fire hydrants or other fire protection devices, the Company will also notify the appropriate public officials responsible for fire protection of the interruption and when service is restored.

3. **Apportionment of Supply During Times of Shortage:** During times of water shortage, the Company will apportion its available water supply among its shareholders/customers as directed by the appropriate authorities and will adopt any necessary water use restrictions required by applicable law or regulations. If no direction is given by such authorities, the Company will apportion the supply as fairly as possible under the circumstances, and with due regard to public health and safety.

C. Ownership of Facilities on Customer's Premises: The service lateral, meter, and meter box needed to provide water service to a shareholder's premises shall be furnished by the Company at the shareholder's sole expense, whether located wholly or partially upon a shareholder's premises, and all such items are and shall remain the ***property of the Company***. No rent or other charge will be paid by the Company where the Company-owned service facilities are located on a customer's premises.

D. Company Access to Customer's Premises; Easement: The Company shall have access to a shareholder's property during reasonable hours for the installation, maintenance, operation, or removal of the Company's service lateral, meter, meter box, or other equipment located on the property, and to read any meter located on that property. Any Company facilities located at a shareholder's property may be inspected at all reasonable times by authorized Company representatives. Each shareholder who applies for or maintains a service connection used to receive water service from the Company may be required, as partial consideration for the Company supplying water to the shareholder's property, to grant to the Company an easement across that portion of the shareholder's property necessary to install and maintain the Company's distribution system. This easement shall include the right of ingress and egress to read any water meter owned by the Company and to service the distribution system.

E. Service Calls (Civil Code Section 1722): Where access to a customer's premises is required for maintenance of facilities or other required service and the customer must be present for such service call, the Company will offer to schedule the service call during a 4-hour period. If the Company fails to make the service call as promised, the customer may bring an action in Small Claims Court for damages actually incurred, in an amount not to exceed the limit set forth in Civil Code section 1722(c)(2), as it may be amended from time to time. Where unforeseen or unavoidable circumstances prevent the Company from making the service call, it is a defense to such

action if the Company made a diligent effort to notify the customer of the delay and then makes the service call within a newly agreed 2-hour period.

F. Company Not Responsible for Damage or Loss to Customer: The Company will not be responsible for (i) any loss or damage resulting from the installation, maintenance, operation, tampering, or use by the customer of any facilities, appliances, or other equipment used to provide water service to a customer's premises; (ii) any damage to persons, property, or facilities resulting from the maintenance or repair of Company facilities, or of the Company's water distribution and water supply systems, where the Company has not been negligent or engaged in willful misconduct in connection with such maintenance or repair; (iii) any damage to persons, property, or facilities caused by escape or leakage due to conditions on the customer's premises, by failure or defects of pipes, or by high or low pressure.

G. Customer's Responsibility for Damage to Company Property: All customers/shareholders must keep their own service pipes in good order and free from leakage, and they will be held liable for all damages caused to the Company's water system and facilities that may result from their failure to keep and maintain their own service pipes in good order and free from leakage. In addition, customers will be charged for damage to the Company's meters, equipment, facilities, and other property resulting from a customer's use or operation of appliances or other equipment on the customer's premises, or otherwise due to customer's negligence or willful conduct, including, but not limited to, cutting or otherwise tampering with any lock or other mechanism placed on a customer's meter by the Company, due to nonpayment of water rates or charges or any other violation of (i) these Rules; (ii) the Service Disconnection Policy; (iii) the Bylaws; (iv) a local, state, or federal law; or (v) any other Company rules or policies (collectively, "**Governing Rules**") to prevent use of water through that meter. Customers should promptly notify the Company in the event of a leak or other problem with the Company's water system. All damage which, after investigation by the Company, is determined to be the responsibility of the customer will also be billed to the property owner, who, as a shareholder of the Company, remains ultimately liable for such damage, even if such damage was caused by a tenant or occupant of owner/shareholder's property.

1.03: RATES AND CHARGES

A. General Provisions: In accordance with the Company's Bylaws, rates and charges for water use and other miscellaneous charges are set by the Board from time to time. The Company's monthly "readiness-to-serve" (or "meter charge") is imposed upon a shareholder's property even at such times when that property is not currently receiving water service from the Company to cover the overall maintenance and upkeep of the Company's water delivery system and overhead expenses associated with the Company's operations. The Company's current rates and charges are maintained and available at its offices and are posted on its website at this URL: <https://lawc.org/general-information/customer-service/water-rates>. Although water bills will, upon request, be

mailed to tenants or persons other than the property owner/shareholder, under the Company's Bylaws, the property owner/shareholder is ultimately responsible for payment of all fees, charges, and assessments. The Bylaws also provide that the Company is granted a lien against the owner/shareholder's property for any unpaid fees, charges, and assessments.

B. Miscellaneous Charges: In order to recover the cost associated with late payments, disconnections, and other problems encountered by the Company, the following items will be charged to customers as shown:

- 1. Late Charge:** Bills for water service will be rendered to each customer each month unless otherwise provided for in the Company's then-current rate schedules. Bills for service are due and payable upon the invoice date/presentation (the "**Billing Date**") and become overdue and subject to a late charge if it is not paid by the date that is 30 days after the bill/invoice's date. If a bill is not paid by the above date, the customer shall pay a late charge in the amount of \$15, in addition to any other charges or interest allowable under the Service Termination Policy that may be due, any advance payments required, or any other conditions established by the Company. In addition, due to the administrative burden now imposed under applicable law (i.e., SB 998 and SB 3) in requiring notice to be provided to each residential dwelling unit, for any multiunit properties, the late charge shall be imposed separately for each residential dwelling unit at any such multiunit property. This subdivision shall not apply to, and no late charge shall accrue on, any account maintained by a governmental agency.
- 2. Termination or Reconnection Charge:** Where water service has been terminated for nonpayment or another violation of the Governing Rules, the customer will be charged \$50.00 to cover the expense of visiting the premises to either terminate or reconnect service if the termination or reconnection occurs during the Company's normal business hours (i.e., from 8:00 a.m. to 4:00 p.m., Monday through Friday) and an amount up to \$150.00 if the termination or reconnection occurs outside of the Company's normal business hours, but not to exceed the actual cost of termination or reconnection if it is less (based on the amount of time Company personnel spends on the work and the Company employee(s)' hourly rate for performing such work outside of normal business hours). The foregoing termination or reconnection charge must be paid **before** service will be restored. Any reconnection charge shall be limited as specified in the Service Termination Policy.

3. **Returned Check Charge:** Upon receipt of a returned/non-negotiable check rendered as remittance for water service or other charges, the Company will consider the account not paid. When a customer's check is returned as non-negotiable for any reason, (i) if the delinquent account is a commercial account, the Company will issue a Notice of Termination of water service (see Rule 1.04.G.5., below) warning the customer that service will be turned off on the date set forth in the notice and that the customer will be charged \$50.00 for the returned check, and (ii) if the delinquent account is a residential account, the Company will follow the procedures in the Service Termination Policy.
4. **Meter Test Charge:** The Company makes every effort to keep its meters in good condition and registering accurately. Any customer may request that their meter be examined and tested to see if it is working correctly, provided they agree to deposit \$50.00 to cover a portion of the cost to the Company for testing the meter. Requests to have a meter tested must be in writing and accompanied by the above deposit. For customer convenience, request forms are available at the Company's office.

Upon receipt of a meter test request and the above-described deposit, Company personnel will arrange to have the meter examined and tested. If the meter is found to register either more than, or less than, two percent (2%) of the amount of water that actually passes through it, the meter will be properly adjusted or another meter installed, the deposit will be returned to the customer, and the water bill for the current period will be adjusted proportionately as set forth in Section 1.04(I), below.

If the meter is found to register within two percent (2%) of being "accurate" (as described in this subsection above), the customer's deposit will be forfeited and the actual cost of making the test will be at the customer's expense.

5. **Pulled Meter Charge:** If a customer's service has been disconnected and the meter has been "pulled" or removed from the premises, then the customer, or any succeeding property owner who desires to reestablish service to that property, must pay a pulled meter charge of \$300.00 to cover administrative and personnel expenses incurred by the Company in pulling and reinstalling the meter, before the service and meter will be reconnected. The fact that a meter has been "pulled" from a

location will not result in the Company not imposing its “readiness-to-serve” or meter charge on that property. Any pulled meter charge that is imposed as a condition to restore water service to a residential account that had previously been terminated for nonpayment shall be limited as specified in the Service Termination Policy.

6. Unauthorized Water Use and Tampering with Company Facilities:

Once a meter has been sealed and/or water to any property served by the Company has been shut off by order of the Company, it can only be turned back on by an authorized employee of the Company. Any person found taking water from or through any of the Company's facilities without having signed up for service or without authorization from the Company, including cutting or otherwise tampering with any lock or other mechanism placed on a customer's meter to prevent use of water through that meter due to a violation of the Governing Rules, will be assessed a fine up to \$500.00, as determined by the Company's Board, payable to the Company, in addition to any charges for the quantity of water taken, and for any damage done to any Company property, equipment, or facilities. In addition, the Company reserves the right to seek criminal prosecution under California Penal Code sections 498, 624, and 625 (as applicable), for any such unauthorized water use. Written notice of the assessment of such fine shall be given by personal service or by registered or certified mail. A \$500.00 reward will be paid by the Company to any individuals supplying information that leads to a successful prosecution of any individual violating this rule.

7. Charge for Turn Off at Main: If water service to a property is turned on by a customer more than once after disconnection due to a violation of the Governing Rules without Company authorization, the service may be shut off at the main, and the customer shall be required to pay, in addition to any other applicable charges, a charge equal to the actual expense to the Company of reconnection prior to the re-establishment of service.

8. Charge for Turn Off/Turn On At Customer's Convenience: Notwithstanding anything in these Rules to the contrary concerning fees or charges for reinstating service at a property after service has been disconnected for a violation of the Governing Rules, there shall be no charge for the Company turning service on or off at a shareholder's property pursuant to a customer's request if the Company is requested to do so during its normal business

hours (i.e., 8:00 a.m. to 4:00 p.m., Monday through Friday). However, a charge of \$50.00 shall apply to each request to either turn a service on or off if the Company is requested to do so during times other than its normal business hours.

9. Color, Taste, or Other Characteristic Complaints.

- a. The Company uses its best efforts to provide its customers with the best quality water possible in compliance with all applicable drinking water standards. However, due to the nature of water distribution systems, from time to time, Company customers may experience problems with color, taste, or other aesthetic characteristics of water the Company provides. The Company encourages its customers to notify it of any such problems that are observed or experienced. However, some customers have abused the complaint process by making repeated unfounded complaints to the Company. The Company incurs costs in responding to those complaints, in addition to the fact that it must log and report all such complaints to the State Water Resources Control Board's Division of Drinking Water.
- b. In light of prior instances of such unfounded complaints, if:
(i) the Company receives a complaint from a customer (the ***"Initial Complaint"***), investigates that complaint and determines in the exercise of good faith that the Initial Complaint is unfounded and not evidenced by the circumstances alleged by the customer, and (ii) within the six (6) month period commencing on the date the Company makes its determination on the Initial Complaint, the Company receives two additional complaints from the same customer regarding the same issue, each of which the Company also determines to be unfounded and unsubstantiated, then if the Company receives a third or more subsequent complaints which the Company also determines to be unfounded and unsubstantiated (the ***"Additional Complaints"***) within that six (6) month period, then for each Additional Complaint so determined to be unfounded and unsubstantiated, the customer shall be charged by the Company the sum of twenty-five dollars (\$25.00).

1.04: BILLING PROCEDURES

A. Joint Service: No joint service is allowed. The property owner/shareholder is solely liable for payment of all bills for water service to their property, unless the property owner/shareholder authorizes the Company to mail the bills to a tenant or other occupant of the shareholder's property, in accordance with the procedures set forth in Rule 2.02.B, below. In that case, each party is separately and independently responsible for the payment of bills.

B. Re-establishment of Credit; Deposits: A customer whose service has been discontinued for nonpayment of bills will be required to pay any unpaid balance due for the premises to which service is to be restored and will also be required to pay both the late charge as prescribed in Rule 1.03.B.1. and the reconnection charge as prescribed in Rule 1.03.B.2. *before* service is restored. In addition, the customer will be required to deposit with the Company an amount estimated to equal to the highest of the last 12 billings to the property.

C. Bankruptcy of Customer: If any customer or shareholder seeks protection under the federal bankruptcy law while any charges or amounts due to the Company remain outstanding, the customer or shareholder must list the Company as a creditor and must immediately provide the Company with notice of the customer or shareholder's bankruptcy filing. Upon conclusion of the bankruptcy proceeding, the customer or shareholder must provide the Company with a copy of any applicable order for relief within seven (7) days of entry of that order. While any bankruptcy proceeding is pending, the customer or shareholder who is the debtor in that proceeding must keep his, her, or its account with the Company current, and the Company is entitled to discontinue service if neither the customer or shareholder, nor the bankruptcy trustee, within 20 days after the date of the bankruptcy petition, furnishes a deposit for service after such date. The deposit shall be the highest of the last 12 billings rendered to the property prior to the filing of the petition. Service may be discontinued for nonpayment or a violation of the Governing Rules after the customer or shareholder's bankruptcy petition is filed.

D. Refund of Deposit: When water service is discontinued, the Company will refund the balance of any deposit held for that service in excess of any unpaid bills. Refunds will be made within a reasonable period of time.

E. Rendering and Payment of Bills: Although customers are charged applicable rates and charges for water service each month, and bills for water service are rendered each month. Bills for service are due and payable upon the Billing Date (defined above). If the bill is not paid by the thirtieth (30th) day after the Billing Date, a late charge as set forth in Section 1.03(B)(1), above, will be assessed and added to the customer's account. Payment must be made at the office of the Company, and it is the customer's responsibility to assure that payments are received at the Company's office in a timely manner. Partial payments are not permitted. Closing bills shall be due and payable at the time of presentation of the closing bill.

F. Separate Billings for Each Meter: Notwithstanding anything in these Rules to the contrary, and subject to any requirements imposed under California law or by an applicable government agency, each meter on a customer's premises will be read and billed separately (except as may otherwise be specified by the Company), or where the Company's operating convenience or necessity may require the use of more than one meter (subject to any requirements under California law to the contrary).

G. Delinquent Bills: The following rules apply to customers whose bills remain unpaid by the due date. As discussed in the first paragraph of these Rules, to the extent of any inconsistency between the Service Termination Policy (which applies to **residential** accounts only) and the rules in this subsection G, the Service Termination Policy shall control with respect to residential accounts.

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- 1. Small Balance Accounts:** If less than a minimum bill remains unpaid, it may be carried over to the next billing period as the Company deems appropriate.
- 2. Overdue Notice:** If payment for a billing period is not made on or before the thirtieth (30th) day after the Billing Date, an Overdue Notice (as defined in the Service Termination Policy) will be mailed to the customer at least seven (7) business days prior to actual disconnection (or ten (10) business days if the premises where service is to be disconnected is a known rental unit occupied by a tenant, as outlined in the Service Termination Policy). The Overdue Notice will include a late charge.
- 3. Turn-Off Deadline:** Water service charges and late charges must be paid by 12:00 p.m. on the day specified in the Overdue Notice.
- 4. Contents of Overdue Notice.** The Overdue Notice will include the following information:
 - a.** Customer's name and address;
 - b.** Amount past due;
 - c.** Date by which payment or arrangement for payment must be made (termination date) in order to avoid termination;
 - d.** Description of the process to apply for an extension of time to pay the amount owing;
 - e.** Description of the procedure to petition for review and appeal of the bill giving rise to the delinquency;
 - f.** Description of the procedure by which the consumer can request a deferred, amortized, reduced or alternative payment schedule;

- g.** Telephone number of a Company representative who can provide additional information; and
- h.** Telephone number of the Public Utilities Commission to which inquiries by the customer may be directed.

In addition to the foregoing contents, for any property where: (i) there is a landlord-tenant relationship between residential occupants and the owner of the dwelling, (ii) the owner is the customer of record for that dwelling and (iii) the Company furnishes water through an individual meter, the notice shall include a provision that informs the occupants they have the right to become customers of the Company, to whom water service will then be billed, without being required to pay any amount which may be due on the delinquent account; *provided, however*, that any such occupant must agree to the Company's terms and conditions of service and must meet the Company's other requirements to establish service.

In addition to the foregoing, for any property where the Company provides water service through a master-meter and the owner of that property is the customer of record for that property, the Company shall use all good faith efforts to post the termination notice on the door of each residential unit. For such master-metered units, the notice shall also (i) inform the occupants of their right to become customers of the Company, to whom water service will then be billed, without being required to pay any amount which may be due on the delinquent account. The notice shall also (ii) specify what the occupants must do in order to prevent the termination of service or to reestablish service, (iii) the estimated monthly cost of service, (iv) the title, address and telephone number of a Company representative who can assist the occupants in continuing service, and (v) the address and telephone number of a Company representative they may contact to prevent the termination of service or to reestablish service. However, the Company is not required to make service available to the occupant(s) unless each occupant agrees to the terms and conditions of service and meets and Company's requirements to establish service, or if one or more occupants is willing and able to assume responsibility for subsequent charges to the account.

- 5. Termination Notice:** For *commercial* (or industrial) accounts that are subject to disconnection for nonpayment, at least twenty-four (24) hours prior to the termination date shown in the Overdue Notice, the Company shall make a reasonable, good faith effort to contact an adult of the residence by telephone or in-person and provide them with the information set forth in a, b, c, and f of paragraph 4 above. An attempted personal contact coupled with use of a "door hanger" posted at least 48 hours prior to termination of service is deemed to be a reasonable, good faith effort at contacting an adult of the residence.

6. **Notification of Returned Check-Disposition:** Upon receipt of a returned check tendered in payment of water service or other charges, the account will be considered unpaid. The Company will make a reasonable, good-faith effort to notify the customer in person and leave a "Termination Notice" and a copy of the Overdue Notice that was mailed to the commercial account holder at the premises advising the customer that service will be turned off after the expiration of forty-eight (48) hours because of the returned check. Water service will be disconnected unless both the amount of the returned check and the returned check charge are paid ***in cash, money order, cashier's check, certified funds or, if feasible, electronic funds transfer***, before the date set forth in the notice for turning off the service.
7. **Returned Check Tendered to Restore Service:** If the customer tenders a returned check as payment to restore water service disconnected for nonpayment, and as a result the Company restores service, the Company may again promptly disconnect service without providing further notice. No 24-hour or 48-hour Termination Notice will be given in the case of a returned check tendered for payment of water service that was previously subject to disconnection.
8. **Returned Checks – Cash Payment Required:** Any customer issuing a non-negotiable check for payment to restore service turned off for nonpayment, will be required to pay, for one year, cash, certified funds or, if feasible, electronic funds transfer to have service restored if such service is turned off again within this time period for nonpayment.
9. **Customer Deposit Upon Receipt of Returned Check:** Any consumer issuing a non-negotiable or returned check as payment for water charges shall be required to deposit with the Company an amount equal to the highest of the last 12 billings to the property.

H. **Disputed Bills:** See "Article IV – Appeals" of the Service Termination Policy for the appeals process applicable to ***residential*** accounts. The following provisions apply to any ***commercial*** (or industrial) accounts only. If the customer disputes the charges in their bill or feels that the bill is not correct, the customer can file a complaint or request an investigation. The following procedure must be used:

1. Within five (5) days after receiving their bill for water service, the customer may initiate a complaint or request an investigation

regarding any bill tendered by the Company. Such protest shall be made in writing and delivered to the Company at its office.

- 2.** After the complaint or request for an investigation is received, an office appointment will be arranged between the customer and a representative of the Company, to review the complaint or request, and get any other information or documents the customer may have that will assist the Company in deciding on the complaint or request. After considering the evidence provided by the customer and the information on file with the Company, the Company representative shall issue a brief summary of their decision as to the accuracy of the bill.
 - a.** If water charges are found to be incorrect, a corrected invoice will be provided and is payable within ten (10) days after receipt. If the revised charges remain unpaid after the ten (10) days, water service will be terminated on the next working day. Water service will be restored only after all outstanding water charges and all applicable reconnection charges are paid in full.
 - b.** If the water charges are found to be correct, the water charges are due and payable within three (3) days after the customer is notified in writing of the decision of the Company representative. If the charges are not then timely paid, termination will be scheduled at close of business two working days after the date of the notice to the customer regarding the decision.
 - c.** When the decision of the appointed representative is given, the customer will also be advised of their right to further appeal before the Board. However, all charges determined to be due must be paid as prescribed above, whether or not the customer intends to appeal.
 - d.** If the customer disputes the decision rendered by the Company's representative, they may request a hearing before the Board.
 - e.** Water service may not be terminated until the investigation is completed and the customer has been notified of the Company's decision.

3. A hearing before the Board must be requested in writing and delivered to the Company. That hearing must take place at the next regularly scheduled Board meeting that will take place at least five (5) days after the Company receives the customer's notice to appeal. The customer shall appear at that hearing and present to the Board evidence and reasons as to why the water charges in question are not accurate. The Board shall evaluate the evidence presented by the customer, as well as information on file with the Company concerning the water charges in question and shall render a decision as to the accuracy of said charges; provided that any Board member who is rendering services in managing the Company shall not participate in any vote or deliberations of the Board on the disputed matter. The Board's decision is final and binding.
 - a. If the Board finds the customer was undercharged, the appropriate additional charges may be billed and payment is then due ten (10) days after receipt of the supplemental bill. If the supplemental bill is not paid in ten (10) days, water service will be terminated on the next working day after expiration of that ten (10) day period.
 - b. If the Board finds the customer was overcharged, the amount of such overcharges shall, at the Company's option, be reflected as a credit on the next regular bill or be refunded directly to the customer.
 - c. If service had previously been disconnected for nonpayment and the Board finds the customer was undercharged, service will be restored only after all outstanding water charges and any and all applicable reconnection charges are paid in full.
 - d. If the Board finds the water charges in question are correct, the decision of the appointed representative will stand.

I. Adjustment of Bills for Meter Error: A customer may request a billing adjustment because of meter error. Such a request must be made in writing and Rule 1.03.B.4. will apply. The meter will be tested in an "as found" condition, in order to determine the average meter error. If the average meter error is found to exceed two percent (2%) [if the quantity of water recorded by the meter measures below ninety-eight percent (98%) or above one hundred and two percent (102%) of the *actual* quantity of water passing through the meter], the following billing adjustments will be made:

1. **Fast Meters:** The Company will refund the estimated amount of the overcharge for the period the meter was determined to be incorrect, not to exceed six (6) months.
2. **Slow Meters:** The Company, at its option, may bill the customer for the amount of the undercharge for the period the meter was in service and determined to be incorrect, not to exceed six (6) months.
3. **Non-Registering Meters:** The Company may bill the customer according to an estimate of water consumed while the meter was not registering, not to exceed six (6) months. This estimate will be based on the customer's prior use during the same period the prior year, or on a reasonable comparison with similar customers during the same period.

J. **Amortization of Unpaid Balance** – See “Article III – Alternative Payment Arrangements” of the Service Termination Policy for alternative payment arrangements applicable to **residential** accounts. The following provisions apply to any **commercial** (or industrial) accounts.

1. **Requirements for Amortization:** Where the customer is financially unable to pay for service within the normal payment period and is willing to enter into an amortization agreement with the Company with respect to all charges that the customer is unable to pay prior to delinquency, the Company will arrange for a payment plan described in subdivision 2, below relative to all delinquent amounts.
2. **Amortization Payment Plan:** Under the circumstances set forth in subdivision 1, above, a repayment agreement will be entered into between the Company and the customer, amortizing the unpaid delinquent amounts over a period not to exceed 6 months unless authorized by the General Manager, with payments added to the customer's regular bill. In addition to interest at ten percent (10%) per annum on the unpaid balance, to cover the cost of administering the plan, the customer will be charged an administrative fee of \$10.00 for each month of the amortization payment plan (for example, if an unpaid balance and all applicable fees, charges, and interest are to be amortized over a 6-month repayment period, a \$60 administration fee will also be added to the amount to be amortized over that 6-month period).

3. **Compliance with Plan:** The customer must make payments on time as they come due under the plan, *in addition to* paying current water charges. The customer may **not** request another amortization plan until all past due charges have been paid. For commercial accounts, failure to make timely payments under the plan will result in 24-hour Termination Notice, and the subsequent disconnection of service if the amounts then due under the payment plan are not paid in full.

1.05: TURN ON AND TURN OFF PROCEDURES AND CHARGES

A. Turn-off at the Customer's Request: Subject to the charges set forth in Rule 1.03.B.8, above, a customer may request that service be discontinued either temporarily or permanently. Such a request may be made telephonically, in which case the customer must provide his or her account number to the Company representative with whom he or she is speaking, or may be made in person at the Company's office in writing, in which case the customer making the request must present picture identification and their most recent water bill as proof that the customer is the person to whom service is delivered, or other proof of ownership of the subject property. Requests to discontinue service must be made at least one working day in advance of the day on which the discontinuance is desired; *provided, however*, that the Company may waive such prior notice and the other requirements of this rule in case of an emergency. The customer requesting the discontinuance must give notice of the impending discontinuance of water service to any tenants, in the case of a single-family residence and to each rental unit, in the case of a multi-unit structure. The Company reserves the right to delay termination of service at the customer's request (during which time the customer shall remain liable for all charges resulting from the continued service) if there are tenants residing at the subject property who would be adversely impacted by the requested termination of service and no such prior notice was provided to those tenants. In such a situation, the Company may contact the applicable governmental agency regarding the requested termination of service. The customer or a designated representative of the customer must be present at the subject property at the time the Company discontinues water service to that property.

If one working days' notice is not given, the customer will be billed for service until one working day after the Company has received appropriate notice that the customer has vacated the premises or otherwise has discontinued service.

B. Turn-off by the Company: The Company may disconnect a customer's service for various reasons which are listed below. Such involuntary disconnections are completed by turning the member off and locking it, thereby stopping the water service. The fact that water service to a property has been stopped will not result in the Company not imposing its meter charge on that property. For residential accounts, the Company will follow the procedures in the Service Disconnection Policy. For **commercial** accounts,

The Company will make a reasonable attempt to notify the customer of disconnection in person, or it will place a Termination Notice on the premises served by the disconnected meter at least 24 hours prior to termination. Reasons for involuntary disconnection include, but are not limited to, the following:

1. **For Nonpayment of Bills:** A service may be disconnected for nonpayment of periodic bills. Before a service is disconnected, the customer will be notified by an Overdue Notice and Termination Notice as provided in Rule 1.04.G, above.
2. **For Non-Compliance with Rules:** The Company may terminate service to any customer for violation of the Governing Rules after the customer has been notified of the problem or violation, and the customer has not complied with such rules within at least three (3) days after the date of such notice. Where the safety of water supply is endangered, including with respect to violations of the Company's cross-connection control requirements, service may be discontinued immediately without notice.
3. **For Waste of Water:** Water supplied to a shareholder's property must not be permitted to run from any connection when not in actual use. Using an open hose to water lawns or flowers is prohibited unless such watering is being overseen by a person who will be responsible for ensuring that water is not wasted allowing such watering to run too long in any single location. Subject to any contrary requirements set forth in an action of the Board to implement state-mandated water use restrictions, in order to protect itself and its customers against willful or negligent waste or misuse of water, the Company may disconnect service if the waste or misuse has not been corrected within five (5) days after written notice to the customer. Written notice shall be given by personal service or by registered or certified mail. Upon failure of the customer to correct those wasteful practices set forth in the five-day notice, the customer's water service shall be terminated. Service will be restored only after the wasteful practice has been remedied, and the customer has paid the Company the usual reconnection charge.
4. **For Unsafe or Hazardous Conditions:** The Company may disconnect a service without notice if unsafe or hazardous conditions are found to exist on the customer's premises including with respect to violations of the Company's cross-connection control requirements. The Company will immediately notify the customer of the reasons, and the necessary corrections required,

before reconnection. An unsafe or hazardous condition may exist due to defective appliances or equipment that may be detrimental to either the customer, the Company, or to the Company's other customers.

5. **For Fraudulent Use of Service:** When the Company has discovered that a customer has obtained service by fraudulent means, or has diverted the water service for unauthorized use, service to that customer may be discontinued without notice. The Company will not restore service until the customer has complied with all applicable rules and reasonable requirements of the Company and the Company has been reimbursed for the full amount of the service rendered, the actual cost to the Company incurred by reason of the fraudulent use, including any damage done to Company, property, equipment or facilities, and any fine imposed by the Company under Rule 1.03.B.6, above.

C. Restoration of Service: In order to resume or continue service that has been disconnected, the customer must pay a reconnection charge under Rule 1.03.B.2. The Company will make a reasonable effort to reconnect service as soon as practicable, to suit the customer's convenience. In all events, service will be reconnected before the end of the next regular working day following the customer's request and ***payment of any charges then due***. The customer requesting the restoration of service must give notice of the impending restoration to any tenants in the case of a single-family residence and to each rental unit in the case of a multiunit structure. The customer or a designated representative of the customer must be present at the subject property at the time the Company restores water service to that property.

D. Restoration of Service: Customer Shut-Off Valves. The Company has found that in some circumstances, customers do not have proper shut-off valves installed at their property. This has resulted in multiple calls to the Company to turn-off and then restore water service at the meter valve, which results in additional wear and tear on, and damage to, the meter valve. In the event the Company, at the customer's request, has restored water service three (3) times at a property lacking installation of proper shut-off valves situated on the customer's side of the Company's meter, the Company will not subsequently restore such service until a suitable shut-off valve has been properly installed at the customer's expense, as the Company shall determine in its sole discretion.

Rule 2: RULES APPLICABLE TO INDIVIDUAL APPLICANTS FOR WATER SERVICE

2.01: USE OF AN ACTIVE SERVICE BY NEW TENANT/OWNER: A person who takes possession of premises and uses water without applying for water service is liable for all water delivered from the date of the last recorded meter reading. If the meter is found inoperative, the quantity consumed will be estimated. If proper application for service is not made within 48 hours after notification to do so, or if accumulated bills are not paid upon presentation, water service shall be discontinued without further notice.

2.02: APPLICATION FOR WATER SERVICE: Each applicant for service is required to provide copies of the documents set forth below and sign, on a form prescribed by the Company, an application setting forth the following contents and limited to the purpose stated below, as well as any additional information that may be requested by the Company.

A. Contents:

1. Applicant name.
2. Date of application.
3. Applicant's home, office and mobile telephone numbers and, if available, e-mail address.
4. Address to which bills are to be mailed or delivered.
5. Address of the premises to be served.
6. Date applicant will be ready for service.
7. Agreement to abide by all of these Rules and the Governing Rules.
8. Purpose for which service is to be used (i.e., residential, commercial, etc.).
9. Whether applicant is owner, tenant or agent for the premises.
10. If the applicant is a property owner, a copy of the deed vesting title in the owner or other proof of ownership acceptable to the Company in its sole discretion, accompanied by a map showing, by metes and bounds, the description of the property which has requested water service.
11. If the applicant is a tenant, the applicant should include the owner's name, address and telephone number.
12. Agreement by the property owner/shareholder to assume any outstanding water charges for property where service is requested.

13. Such other information as the Company may reasonably require.

B. Residential Rental Property: Applications for water service to residential rental property require service to be provided on account of the property owner/shareholder or, alternatively, upon co-application by both the property owner and the tenant. Except as provided in the Service Termination Policy, applicants who are not property owners will not be provided service until the property owner has made application therefore. The Company will hold the property owner/shareholder ultimately responsible for payment.

C. Purpose: The application is merely a written request for service and does not bind the applicant to take service for a period of time longer than that upon which the minimum charge is based; neither does it bind the Company to serve, except under reasonable conditions and upon the approval of the General Manager.

2.03: RESERVED.

2.04 DEPOSITS: The customer may be required to deposit with the Company such sums as specified in Rule 1.04.B. in the event the customer's service is disconnected for nonpayment, a returned check has been processed, when there is not an acceptable payment history at the time of establishing service, or in other cases where the customer is found not to be creditworthy.

2.05: REFUSAL TO SERVE: The Company may refuse to serve an applicant for service under the following conditions:

A. Conditions for Refusal:

- 1.** Failure to properly transfer shares of stock in accordance with the Company's Bylaws.
- 2.** If the applicant fails to comply with any of these Rules or any of the Governing Rules, including applicant's failure to properly complete the application required under Rule 2.02, above, or failure to provide a copy of a deed or suitable document evidencing applicant's ownership of the property for which service is requested.
- 3.** If the intended use of the service is of such a nature that it will be detrimental or injurious to existing customers.
- 4.** If, in the judgment of the Company, the applicant's installation for utilizing the service (i) is unsafe or hazardous including with respect to violations of the Company's cross-connection control

requirements, (ii) is of such nature that satisfactory service cannot be rendered, or (iii) exceeds the normal capacity of the meter service.

5. Where service has been discontinued for fraudulent use, the Company will not serve an applicant until it has determined that all conditions of fraudulent use or practice have been corrected.

- B. **Notification to Applicant:** When an applicant is refused service under the provisions of this rule, the Company will notify the applicant promptly of the reason for the refusal to serve and of the right of applicant to appeal that decision to the Board.

2.06: NEW WATER SERVICE CONNECTIONS: For those premises that do *not* have an *existing service connection*, the applicant will be charged for the actual material and labor costs incurred by the Company in installing the metered service connection and facilities described in this section below.

- A. **Size and Type of Back Flow Prevention Device:** Subject to any requirements imposed by an applicable government agency, the Company reserves the right to determine the size of the service connection, the service pipe and water meter, and the type of any backflow prevention device or other appurtenance required for the installation.
- B. **Back Flow Requirements:** On all new service lines connected to the mains of the Company, the shareholder, at its sole cost, shall install a backflow preventor gate valve or a cut-off between the meter and the street main. Customers are prohibited from making or allowing any cross connection that could permit a backflow of water or other substance into the Company's system. Water service shall not be furnished unless each shareholder has installed any and all backflow prevention assemblies required in this section. Once installed, the customer/shareholder must keep said assemblies in good working order and safe condition. The Company shall not be responsible for any loss or damage directly or indirectly resulting from or caused by the improper or negligent installation, operation, use, repair or maintenance of or interference with any protective assembly by any customer/shareholder or any other person. The type of protective assembly required shall be determined by the Company and in accordance with the degree of hazard.
- C. **Location:** So long as practicable, and subject to any requirements imposed by an applicable government agency, service will be installed at locations designated by the applicant, but only at curb and/or property lines of the

property to be served abutting upon a public street, highway, alley, lane, or road in which a water main of the Company is installed.

- D. **Looped Metered Connections:** Service provided to a location that has its own distribution system that is looped and connected to Company facilities by two (2) or more meters shall be provided with an approved type of backflow prevention device immediately downstream of each metered connection.
- E. **Changes in Service Connection/Meter Size:** Payment of all applicable additional charges will be required upon the happening of any of the following:
 - 1. The alteration or increase in size of a service connection.
 - 2. The service of any area, adjacent property, or property of different ownership not served at the time of the original commencement of service.
 - 3. The increase of use by reason of land zoning reclassification or actual land use.

In instances where such additional charges are due, credit may be allowed for any such previous payments made by either the applicant, owner, or their predecessors. The size of any meter service and/or the area it serves, or the property's zoning classification or actual use, shall be determined by the General Manager. Subject to any decision of the Board made on an appeal, such determination by the General Manager will be final.

- F. **Limitations on Use of Service Connections:**
 - 1. **Number of Units and Land Area.** Notwithstanding anything in these Rules to the contrary, and subject to any requirements imposed under California law or by an applicable government agency, the Company reserves the right to (i) designate the type of meter, and (ii) limit the number of buildings, separate houses, living or business quarters, and the area of land under one ownership to be supplied by one service connection.
 - 2. **After Subdivision.** When property provided with a service connection is subdivided, the service connection shall be considered as belonging to the lot or parcel of land which it directly enters. Accordingly, the property owner/shareholder will be responsible for (i) installing a new service line to the new parcel; (ii)

all costs associated with the installation of the new service line; and
(iii) the ongoing maintenance of all service lines at the subdivided property.

3. **Supplying to Other Property.** No service connection shall be used to supply adjoining property belonging to a different owner, or adjoining property acquired by the original applicant or owner subsequent to installation of the original service connection, or to supply property of the same owner on opposite sides of a public street or alley.
4. **Supplying Outside Company; No Resale of Water.** No service connection will be used to supply water to property outside the Company's service area. Customers shall not resell any water delivered by the Company to their property.
5. **Metering and Connections for Multi-User Developments.**
 - a. Except in the case of (i) a motel or hotel, or (ii) a newly constructed multiunit structure that is described in item (b) of this subsection E.5. of Rule 2.06, immediately below, no master meters will be authorized for the delivery of water service to a multiunit/multiuser development and all units (of any type) within that structure must be separately metered by individual water meters.
 - b. In accordance with Senate Bill 7 and California Water Code section 537.1, in the case of a (i) newly constructed multiunit residential structure or (ii) newly constructed mixed-use residential and commercial structure for which an application for a water connection or connections is submitted after January 1, 2018, the Company shall require that each individual *residential* dwelling unit within the structure be separately metered by individual water meters (or submeters, depending on the nature of the proposed construction or development project, and if authorized by the Company); *provided, however*, that neither individual water meters nor submeters will be required for each individual residential dwelling unit if the applicant can demonstrate that the proposed multiunit structure meets any of the exemptions set forth in subsection (a) of Water Code section 537 (which generally exempts qualifying low-income housing projects, housing at a place of education, long-term health care facilities, time-share properties, and

residential care facilities for the elderly from this requirement).

2.07: PROVISION OF SERVICE: The Company shall not be obligated to provide water service to any applicant for water service until after any and all applicable deposits, fees, charges, and assessments, including late fees and accrued interest, owing to the Company and associated with the property seeking water service have been paid in full, and the stock appurtenant to the property has been properly transferred on the books of the Company.

Rule 3: RULES APPLICABLE TO CONSTRUCTION PROJECTS AND DEVELOPMENTS

3.01: DESIGN AND CONSTRUCTION OF WATER SYSTEM IMPROVEMENTS:

A. Issuance of Will Serve Letters: Each applicant for water service to a project or development to be constructed in the Company's service area (a "**Project**") must (i) submit a "Application for Water Service" on a form to be provided by the Company; (ii) submit all plans described in Section 3.01.B. below; and (iii) pay the then-current application and/or "plan review fee" for processing these materials, all of which are required to initiate the "will serve process" to obtain water service for the Project. The applicant or its designee(s) will coordinate with Company staff and the County of Los Angeles (or any other pertinent government or land use agency with jurisdiction over the Project) to determine appropriate new service conditions, metering requirements, infrastructure details, fees, and the like. The Application for Water Service is merely a written request for service, and it does not guarantee final water service approval. Final approval and service installation is contingent upon fulfillment of all new service requirements set forth in these Rules and any (a) conditional or unconditional will serve letter and/or (b) any water service agreement issued in connection with the proposed Project.

1. Upon request, and upon the Company's approval of the applicant's Application for Water Service and the applicant's payment of any applicable fees, the Company may issue a conditional or unconditional will serve letter to an applicant. The Company reserves the right to (i) request additional information from an applicant beyond the information provided in the Application for Water Service or (ii) require an applicant to enter into an additional water service agreement when appropriate due to the nature of the particular service request and Project, as described in Section 3.01.B., below.
2. A will serve letter issued by the Company to an applicant shall terminate at the sooner to occur of (i) the expiration date stated in the will serve letter, unless connection to the Company water

system has been made prior to the termination or expiration of any use permit, tentative map, or parcel division approval, or (ii) upon the termination or expiration of any building permit issued to the applicant for construction of the Project on the real property which is the subject of the will serve letter. Connection of water service as provided in a will serve letter shall be contingent upon the Company, at the time of request for connection, having sufficient water based upon the Company's contractual entitlements and owned water rights, and shall further be contingent upon the Company having sufficient treatment and delivery capacity to comply with all laws and regulations concerning the delivery of domestic water. All Company commitments to deliver water shall, during drought conditions, be subject to the provisions of any then current Company drought contingency plan or applicable rules.

B. Submittal of Plans: Any person who desires to undertake a new construction Project within the Company's service area, including any Project to install a water line 2-1/2 inches or greater in diameter that is to be added to the Company's system, shall, at the discretion of the Company's General Manager, enter into a "Water Service Agreement" with the Company, in the form of agreement attached as **Appendix B**. Any such agreement will set forth all terms and conditions relating to the requested water service and will describe in detail the responsibilities of the applicant/developer and the Company with respect to the construction and installation of, and payment for, any and all new or additional Facilities (defined in subparagraph C below), including the payment of any connection fees and other applicable fees or charges for the requested water service to the Project. Those fees or charges may include, but are not limited to: (i) all direct costs of the Company attributable to the new service connection(s); (ii) the cost of one or more water meters of the appropriate size; and, (iii) if necessary, due to the Project's addition of increased water demand to the Company,¹ a contributive share of costs for the Company to procure additional water supplies needed to meet the newly added consumptive demands that will be placed on the Company's water system as a result of providing the requested water service to the Project.

In addition, the applicant must submit to the Company, for review and approval, plans and specifications for the Project prepared and stamped by a registered California professional engineer familiar with the preparation of underground water utilities plans and specifications in public rights of way and streets ("**Plans**"). The Plans shall include all specifications required by the Company. Incomplete Plans and specifications will not be reviewed and will be returned to the submitting party. Concurrent with the submittal of the Plans, the submitting party shall pay to the Company (a) a "plan check fee," as determined by the Company's General Manager, in accordance with the Company's

¹This addition is **not** applicable if a shareholder/property owner is rebuilding the shareholder's own structure and the shareholder is not materially increasing the size of that structure.

current policies and fee schedules, to cover the cost of the Company's review of the Plans, and (b) all other costs for services, facilities, or improvements required due to the Project and supplied by the Company. The Company's review of the Plans and any plan checking fees paid under this paragraph shall be separate from any plan review or plan checking fees required by the County of Los Angeles or any other governmental entity with jurisdiction over the Project.

Prior to the Company's approval of the Plans, Developer shall (x) execute and deliver any Water Service Agreement issued by the Company to the Company; and (y) pay to or reimburse the Company for all fees and expenses incurred by the Company in connection with its engineers' and attorneys' review of the Plans and the preparation of any Water Service Agreement issued in connection with the Project.

C. Construction of Water System Improvements: Any shareholder constructing a Project for which water service has been requested shall be solely responsible for the cost and construction of all Facilities (defined below) necessary for the Company to provide water service to the Project. The Company and its engineers will review the Plans to determine the extent of any Company water distribution system improvements that are necessary to provide the requested water service to the Project, which may include, but may not be limited to, the installation of one or more (i) reservoirs; (ii) water mains along the entire frontage of the property where the proposed Project is to be constructed and/or from the nearest existing adequate supply source; and (iii) other appurtenances and additional Company water distribution system improvements that are necessary to provide the requested water service to the Project (items (i)-(iii), collectively, "**Facilities**"), as determined by the Company, in its sole discretion, so the Company may establish and maintain its ability to meet the water demands of the Project and other nearby properties. If the water system's existing capabilities and the existing water main along the frontage of the applying shareholder's property where the Project will be located are determined to be adequate for the purposes of providing water service to the proposed Project (and new service connection), the Company may still require the applying shareholder to pay a contributive portion of any improvements the Company may be required to make to its water system to supply water to the Project, as determined by the Board, in its sole discretion. Fire flow shall be determined by the government agency with applicable jurisdiction. The size and scope of any Facilities required to deliver adequate fire flow will be determined by the Company, in its sole discretion. An encroachment permit issued by the County of Los Angeles will be required for any work within a public right-of-way. The shareholder/owner of the property where the Project will be constructed shall grant the Company all easements required for the Company to provide water service to the Project, together with a policy of title insurance satisfactory to the Company guaranteeing Company's title to and interest in such easements, and the shareholder/owner shall be responsible for all fees and charges associated with the easements.

D. Contractor Requirements: Any person who desires to undertake a new construction Project within the Company's boundaries, including any Project to install a water line 2-1/2 inches or greater in diameter that is to be added to the Company's system shall engage a properly licensed contractor specializing in underground water utilities in public rights of way and streets to perform all work in accordance with the Plans approved under subparagraph B of this Rule 3, above. That contractor shall be licensed in California as both an "A" general engineering contractor and as a C-34 pipeline contractor and shall have in place all insurance required under subparagraph E, below. At least seven (7) calendar days prior to the commencement of any work on the Project, the person who desires to install the improvements shall submit the name of the contractor and the contractor's work experience on projects of a similar nature to the Company for the Company's approval. The Company shall inform the submitting party of its decision within seven (7) business days after submittal.

E. Insurance Requirements: Any contractor engaged to construct the Facilities described under subparagraph D, above, shall maintain the following insurance policies, each of which shall name the Company, and its governing Board, officers, employees, and agents as additional insureds in connection with the contemplated work to completed under subparagraph C, and shall provide that such insurance shall not be cancelled without at least thirty (30) days written notice to the Company. *Unless additional or increased coverage is required by the Company due to the specific size and nature of the Project*, as determined by the General Manager, after consultation with legal counsel, the following original insurance certificates evidencing the applicable coverage shall be submitted to the Company at least seven (7) calendar days prior to starting any work, for the Company's written approval:

1. A commercial general liability insurance policy insuring against general bodily injury and property damage (ISO Commercial General Liability - Occurrence Form CG 0001) with limits of not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate;
2. A policy insuring against automobile bodily injury and property damage (ISO Form Number CA 0001 [most recent edition]) with a limit of not less than \$1,000,000 per occurrence, including owned, non-owned and hired autos; and
3. A workers compensation insurance policy, as required by California law.

F. Inspection of Construction of Water System Improvements: The Company shall only inspect the Facilities completed under subparagraph C, above (and as specified in any Water Service Agreement issued in connection with the Project), and shall charge the person on whose behalf such work is being completed the fees described in subparagraph G, below. The Company's inspection is separate and apart from any required inspection by the County of Los Angeles (or any other government or regulatory

body that may be required to inspect the work), and the person on whose behalf such work is being completed shall be solely responsible for all costs related to any other inspections by government agencies with jurisdiction over the Project.

G. Inspection Fee: In addition to the plan check fee set forth in subparagraph B, above, at the time the Plans are submitted to the Company, the submitting party shall also deposit with the Company an amount determined by the Company's General Manager, in his or her reasonable discretion, to be sufficient to cover all staff time and, if applicable, outside engineering costs incurred or that will be incurred in connection with inspecting the work to be performed under subparagraph B, above. If the amount deposited exceeds the actual costs incurred by the Company in connection with such inspection(s), the excess shall be returned to the submitting party within seven (7) calendar days of the date the Company finally determines the amount of its actual costs. If the actual costs incurred by the Company in connection with the inspection(s) exceed the amount deposited by the submitting party, the submitting party shall be responsible for payment of such excess costs within seven (7) days of the date of invoice from the Company setting forth such excess costs. Water service will not commence before any such excess costs are paid in full. The Company's inspection of the water system work and any inspection fees paid under this paragraph shall be separate from any inspection, inspection fees, or permits required by the County of Los Angeles or other governmental entity with jurisdiction over the Project.

ADOPTION AND AMENDMENTS:

- The Company's original Rules and Regulations were adopted by the Board of Directors as of May 1, 2010
- These restated Rules for Water Service and Customer Relations were adopted by the Board of Directors at the Board's regular and duly noticed meeting on April 18, 2025.

APPENDIX A

LINCOLN AVENUE WATER COMPANY POLICY ON DISCONTINUATION OF RESIDENTIAL WATER SERVICE FOR NONPAYMENT

Notwithstanding any other policy or rule, this Policy on Discontinuation of Residential Water Service for Nonpayment ("**Policy**") shall apply to the discontinuation of **residential** water service for nonpayment under the provisions set forth herein. In the event of any conflict between this Policy and any other policy or rule of the company, this Policy shall prevail.

I. Application of Policy; Contact Telephone Number: This Policy shall apply only to **residential** water service for nonpayment and all existing policies and procedures adopted by the Lincoln Avenue Water Company ("**Company**") shall continue to apply to commercial and industrial water service accounts. Further assistance concerning the payment of water bills, and the potential establishment of the alternatives set forth in this Policy to avoid discontinuation of service, can be obtained by calling the Company at 626-798-9101. In accordance with Health and Safety Code section 116926, this Policy does not apply to the termination of a service connection due to an unauthorized action of a customer.

II. Discontinuation of Residential Water Service for Nonpayment:

A. **Rendering and Payment of Bills:** Bills for water service will be rendered to each customer each month unless otherwise provided for in the Company's rate schedules. Bills for service are due and payable upon presentation and become overdue and subject to a late charge if not paid within thirty (30) days from the date of the bill. Accounts with bills that are not paid within sixty (60) days from the date of the bill are subject to discontinuation of service in accordance with the procedures in this Policy. Payment may be made at the Company's office to any representative authorized to make collections or by electronic transmission, if feasible. However, it is the customer's responsibility to assure that payments are received by the Company at the specified location in a timely manner. Partial payments are not authorized unless prior approval has been provided by the Company in writing. Bills will be computed as follows:

1. Meters will be read at regular intervals for the preparation of periodic bills and as required for the preparation of opening bills, closing bills, and special bills.

2. Bills for metered service will show the meter reading for the current and previous meter reading period for which the bill is rendered, the number of units, date, and days of service for the current meter reading.

3. Billings shall be paid in legal tender of the United States of America. Notwithstanding the foregoing, the Company shall have the right to refuse any payment of such billings in coin.

B. Overdue Bills: The following rules apply to customers whose bills remain unpaid for more than sixty (60) days following the invoice date:

1. Overdue Notice: If payment for a bill rendered is not made on or before the due date stated on the invoice for water service, the Company shall contact the customer by (i) telephone or (ii) written notice, as described in this subsection below, at least seven (7) business days prior to the possible discontinuation of service date (or ten (10) business days if the property is a property where the property owner or manager is the customer of record and is responsible for payment of the water bill in accordance with Subsection (F) of Section II below) ("**Initial Overdue Notice Deadline**") discussed with the customer by phone or as stated in the written notice delivered to the customer in accordance with this subsection.

If the Company provides a written notice of overdue payment (the "**Overdue Notice**"), the Overdue Notice will be mailed to the water service customer by the Initial Overdue Notice Deadline identified in the Overdue Notice. For the purposes of this Policy, the term "**business days**" shall refer to any days on which the Company's office is open for business. If the customer's address is not the address of the property to which the water service is provided, the Overdue Notice must also be sent to the address of the property served, addressed to "**Occupant**." The Overdue Notice must contain the following:

- a) Customer's name and address;
- b) Amount of delinquency;
- c) Date by which payment or arrangement for payment must be made in order to avoid discontinuation of service;
- d) Description of the process to apply for an extension of time to pay the amount owing (see Section III(D) of this Policy, below);
- e) Description of the procedure to petition for review and appeal of the bill giving rise to the delinquency (see Section IV, below); and
- f) Description of the procedure by which the customer can request a deferred, amortized, reduced, or alternative payment schedule to avoid disconnection of service (see Section III, below).

Alternatively, or in addition to providing a written Overdue Notice to the customer, the Company may provide notice to the customer of the impending discontinuation of service by telephone by the Initial Overdue Notice Deadline. If the notice required under this subsection is provided by telephone, the Company shall offer to (i) provide the customer with a

copy of this Policy in the language requested by the customer and (ii) discuss with the customer the options to divert disconnection (as described in Section III, below) and the procedures for review and appeal of the customer's bill (as described in Section IV, below).

2. Unable to Contact Customer: If the Company is not able to contact the customer by telephone, the Company will also mail a written Overdue Notice to the customer by the Initial Overdue Notice Deadline. If the Company is not able to contact the customer by telephone or through the process of mailing an Overdue Notice (e.g., a mailed Overdue Notice is returned as undeliverable), the Company will make a good faith effort to visit the residence and leave, or make other arrangements to place in a conspicuous location, (i) a "notice of imminent discontinuation of service for nonpayment" and (ii) a copy of this Policy in English and any other languages spoken by 10% of more of the Company's customers.

3. Late Charge: A late charge, as specified in the Company's schedule of fees and charges, shall be assessed and added to the outstanding balance on the customer's account if the amount owing on that account is not paid within thirty (30) calendar days of the date of the bill/invoice for services.

4. Turn-Off Deadline: Payment for water service charges must be received in the Company's offices no later than 4:00 p.m. on the date disconnection date either specified over the telephone or in the Overdue Notice required under Subdivision (B)(1) of Section II of this Policy, above. Postmarks are not acceptable.

5. Notification of Returned Check: Upon receipt of a returned check rendered as remittance for water service or other charges, the Company will consider the account not paid. The Company will attempt to notify the customer by phone and will send or provide a written Overdue Notice at the premises for the account the returned check was received indicating that the balance on the account is unpaid due to receipt of the returned check and requesting payment in the manner specified in this subsection below prior to the termination date identified in this subsection. Water service will be disconnected, and a lock will be placed on the customer's meter, if the (i) amount of the returned check and (ii) returned check fee (as determined under the Company's then-current schedule of fees and charges) are not paid in full by the due date specified over the phone and/or in the Overdue Notice discussed in this subsection and required under (B)(1) of Section II of this Policy, and in no event shall that date be sooner the sixtieth (60th) day after the invoice for which payment by the returned check had been made. To redeem a returned check and to pay a returned check charge, all amounts owing must be paid by cash or certified funds such as a cashier's check.

6. Returned Check Tendered as Payment for Water Service Disconnected for Nonpayment:

a) If the check tendered and accepted as payment which resulted in restoring service to an account that had been disconnected for nonpayment is returned as non-negotiable, the Company may disconnect said water service and place a lock on the customer's water meter upon at least two (2) calendar days' written notice. The customer's account may only be reinstated by receipt of all outstanding charges, and any applicable late fee or charges that may be due, in the form of cash or certified funds such as a cashier's check. Once the customer's account has been reinstated, the account will be flagged for a one-year period indicating the fact that a non-negotiable check was issued by the customer.

b) If at any time during the one-year period described above, the customer's account is again disconnected for nonpayment, the Company may require the customer to pay cash or certified funds to have that water service restored.

C. Conditions Prohibiting Discontinuation: Subject to the exception in Section III, below, the Company shall not discontinue residential water service if all of the following conditions¹ are met:

1. Health Conditions – The customer or tenant of the customer submits certification of a primary care provider that discontinuation of water service would (i) be life threatening, or (ii) pose a serious threat to the health and safety of a person residing at the property;

2. Financial Inability – The customer demonstrates he or she is financially unable to pay for water service within the water system's normal billing cycle. The customer is deemed "financially unable to pay" if any member of the customer's household is: (i) a current recipient of the following benefits: CalWORKS, CalFresh, general assistance, Medi-Cal, SSI/State Supplementary Payment Program or California Special Supplemental Nutrition Program for Women, Infants and Children; or (ii) the customer declares the household's annual income is less than 200% of the federal poverty level (see this link for the federal poverty levels applicable in California: <https://www.healthforcalifornia.com/covered-california/income-limits>); and

1. As set forth in Health and Safety code section 116910(a); however, the "conditions" discussed in this section 116910 have been altered by SB 3's amendments to Health and Safety code section 116906. Following SB 3's amendments to section 116906, that section 116906 provides that a plan for deferred or reduced payments, or an alternative payment schedule, are available to *any* customer *regardless* of whether they meet the *conditions* of subdivision (a) of section 116910.

3. Alternative Payment Arrangements – The customer is willing to enter into an amortization agreement, alternative payment schedule or a plan for deferred or reduced payment, consistent with the provisions of Section III, below.

D. Process for Requesting Information Needed to Determine Type of (i) Deferred or Reduced Payments or (ii) Plan for an Alternative Payment Schedule to Avoid Discontinuation of Service: In order to allow the Company sufficient time to process any request for assistance by a customer, the customer is encouraged to provide the Company with the necessary documentation demonstrating the (i) medical issues under Subdivision (C)(1) this Section II, above; (ii) financial inability under Subdivision (C)(2) (which are necessary for the Company to determine whether the special rules in Subdivision E, below, are applicable); and (iii) willingness to enter into any alternative payment arrangement under Subdivision (C)(3) as far in advance of any proposed date for discontinuation of service as possible. Upon receipt of such documentation, the Company's General Manager, or his or her designee, shall review that documentation and respond to the customer within seven (7) calendar days to either request additional information, including information relating to the feasibility of the available alternative arrangements, or to notify the customer of the alternative payment arrangement selected by the Company, and the terms thereof, under Section III, below. If the Company has requested additional information, the customer shall provide that requested information within five (5) calendar days of receipt of the Company's request. Within five (5) calendar days of its receipt of that additional information, the Company shall notify the customer in writing of the alternative payment arrangement selected by the Company, and the terms thereof, under Section III, below.

E. Special Rules Involving Reconnection Fees and Interest for Low Income Customers: Customers are deemed to have a household income below 200% of the federal poverty line if: (i) any member of the customer's household is a current recipient of the following benefits: CalWORKS, CalFresh, general assistance, Medi-Cal, SSI/State Supplementary Payment Program or California Special Supplemental Nutrition Program for Women, Infants and Children; or (ii) the customer declares the household's annual income is less than 200% of the federal poverty level (see this link for the federal poverty levels applicable in California: <https://www.healthforcalifornia.com/covered-california/income-limits>). If a customer demonstrates either of those circumstances, then the following apply:

1. Reconnection Fees: If service has been discontinued and is to be reconnected, then any reconnection fees during the Company's normal operating hours cannot exceed \$50, and reconnection fees during non-operational hours cannot exceed \$150 (and shall be based on the amount of time Company personnel spends on the work and the Company employee(s)' hourly rate for performing such work outside of normal business hours). Those fees cannot exceed the actual cost of reconnection if that cost is less than the statutory caps. Those caps may be adjusted annually for changes in the Consumer Price Index for

the Los Angeles-Long Beach-Anaheim metropolitan area beginning January 1, 2021.

2. Interest Waiver: The Company shall not impose any interest charges on delinquent bills.

F. Landlord-Tenant Scenario: The below procedures apply to individually metered (i) detached single-family dwellings, (ii) multi-unit residential structures, and (iii) mobile home parks where the property owner or manager is the customer of record and is responsible for payment of the water bill.

1. Required Notice:

(a) At least (i) 10 calendar days prior if the property is a multi-unit residential structure or mobile home park or separately metered single-family dwelling, or (ii) 7 calendar days prior if the property is a detached single-family dwelling (which is not separately metered) to the possible discontinuation of water service, the Company must make a good faith effort to inform the tenants/occupants at the property by written notice that the water service will be discontinued, including sending a written Overdue Notice to the property in accordance with this section.

(b) The Overdue Notice must also inform the tenants/occupants that they have the right to become customers to whom the service will be billed (see Subdivision (F)(2), immediately below), without having to pay any of the then delinquent amounts.

2. Tenants/Occupants Becoming Customers:

(a) The Company is not required to make service available to the tenants/occupants unless each tenant/occupant agrees to the terms and conditions for service and meets the Company's requirements and rules.

(b) However, if (i) one or more of the tenants/occupants assumes responsibility for subsequent charges to the account to the Company's satisfaction, or (ii) there is a physical means to selectively discontinue service to those tenants/occupants who have not met the Company's requirements, then the Company may make service available only to those tenants/occupants who have met the requirements.

(c) If prior service for a particular length of time is a condition to establish credit with the Company, then residence at the property and proof of prompt payment of rent for that length of time, to the Company's satisfaction, is a satisfactory equivalent.

(d) If a tenant/occupant becomes a customer of the Company and the tenant's/occupant's rent payments include charges for residential water service where those charges are not separately stated, the tenant/occupant may deduct from future rent payments all reasonable charges paid to the Company during the prior payment period.

G. Deposits: In the event (i) a customer's service is disconnected for nonpayment; (ii) a returned check has been processed; (iii) there is not an acceptable payment history at the time of establishing service; or (iv) in other cases where the customer is found not to be creditworthy, the customer will be required to deposit with the Company an amount estimated to equal to the highest of the last 12 billings to the property.

H. Return of Deposits: When water service is discontinued, the Company will refund the balance of any deposit held for that service in excess of any unpaid bills. Refunds will be made within a reasonable period of time.

III. Alternative Payment Arrangements: Regardless of whether any customer meets the three conditions under Section II(C), above,² the Company shall offer the customer one or more of the following alternative payment arrangements, to be selected by the Company in its discretion: (i) amortization of the unpaid balance under Subdivision (A) of this section III, below; (ii) alternative payment schedule under Subdivision (B), below; (iii) partial or full reduction of unpaid balance under Subdivision (C), below; or (iv) temporary deferral of payment under Subdivision (D), below. The General Manager, or his or her designee, shall, in the exercise of reasonable discretion, select the most appropriate alternative payment arrangement after reviewing the information and documentation provided by the customer and taking into consideration the customer's financial situation and Company's payment needs.

A. Amortization: Any customer who is unable to pay for water service within the normal payment period may, if the Company has selected this alternative, enter into an amortization plan on the following terms:

1. Term: The customer shall pay the unpaid balance, with any applicable administrative fee, late fees and charges, and interest specified in Subdivision (A)(2) of this Section III, below, over a period not to exceed six (6) months; provided, however, that the General Manager or his or her designee, in their reasonable discretion, and on a case-by-case basis, may apply an amortization term of longer than six (6) months to avoid undue hardship on the customer. The (i) unpaid balance, along with any applicable (ii) administrative fee; (iii) interest; and (iv) late fees or charges to be applied (as determined by the Company's then-current adopted schedule of rates, charges, and fees), shall be

2. Health and Safety Code section 116906.

divided by the number of months in the amortization period, and that amount shall be paid each month, ***in addition to each amount due under the customer's invoices for their current residential fees and service charges for water service each month***, in accordance with the payment schedule and terms set forth in an "Amortization Agreement" that will be entered into between the customer and the Company.

2. Administrative Fee and Late Charges; Interest: For any approved amortization plan, the customer will be charged (i) an administrative fee ("Administrative Fee") of \$10.00 for each month of the amortization payment plan to cover the cost of administering the plan (for example, if an unpaid balance and all applicable fees, charges, and interest are to be amortized over a 6-month repayment period, a \$60 administration fee will also be added to the amount to be amortized over that 6-month period); (ii) any applicable late fees and charges; and (iii), at the discretion of the General Manager or his or her designee, and subject to the exception in Subdivision E of Section II of the Policy, above, interest at an annual rate not to exceed eight percent (8%), which shall be applied to any amounts to be amortized under this Subsection A of Section III.

3. Compliance with Plan: The customer must comply with the amortization plan, as set forth in the Amortization Agreement, and remain current as new charges accrue in each subsequent billing period. The customer may not request further amortization of any subsequent unpaid charges while paying delinquent charges pursuant to an amortization plan. Where the customer fails to (i) comply with the terms of the amortization plan for sixty (60) calendar days or more, or (ii) pay the customer's current service charges for sixty (60) calendar days or more, the Company may discontinue water service to the property where the customer receives water service and place a lock on the water meter for the property no sooner than five (5) business days after posting a final notice of its intent to discontinue service.

B. Alternative Payment Schedule: Any customer who is unable to pay for water service within the normal payment period may, if the Company has selected this alternative, enter into an alternative payment schedule for the unpaid balance in accordance with the following:

1. Repayment Period: The customer shall pay the unpaid balance, along with the applicable Administrative Fee, late fees or charges, and interest amounts specified in Subdivision (B)(2) of this Section III, below, over a period not to exceed six (6) months, as determined by the General Manager or his or her designee; provided, however, that the General Manager or his or her designee, in their reasonable discretion and on a case-by-case basis, may extend the repayment period for longer than six (6) months to avoid undue hardship on the customer.

2. Administrative Fee and Late Charges; Interest: For any approved alternative payment schedule, the customer will be charged (i) an Administrative Fee; (ii) any applicable late fees and charges; and (iii), at the discretion of the General Manager or his or her designee, and subject to the exception in Subdivision E of Section II of the Policy, above, interest at an annual rate not to exceed eight percent (8%), which shall be applied to any amounts to be paid under this Subsection B of Section III.

3. Schedule: After consulting with the customer and considering the customer's financial limitations, the General Manager or his or her designee shall develop an alternative payment schedule to be agreed upon with the customer. That alternative schedule may provide for periodic lump sum payments that do not coincide with the established payment date, may provide for payments to be made more frequently than monthly, or may provide that payments be made less frequently than monthly, provided that in all cases, and subject to Subdivision (1) of this Subsection B, above, the unpaid balance, any applicable late fees or charges, the Administrative Fee, and any allowed interest, shall be paid in full within six (6) months of the establishment of the payment schedule. The agreed upon schedule shall be set forth in writing and be provided to the customer.

4. Compliance with Plan: The customer must comply with the agreed upon payment schedule and remain current as new charges accrue in each subsequent billing period. The customer may not request a longer payment schedule for any subsequent unpaid charges while paying delinquent charges pursuant to a previously agreed upon schedule. Where the customer (i) fails to comply with the terms of the agreed upon repayment schedule for sixty (60) calendar days or more; or (ii) fails to pay the customer's current service charges for sixty (60) calendar days or more, the Company may discontinue water service to the property where the customer receives water service and place a lock on the water meter for the property no sooner than five (5) business days after posting a final notice of its intent to discontinue service.

C. Reduction of Unpaid Balance: Any customer who is unable to pay for water service within the normal payment period may, if the Company has selected this alternative, receive a reduction of the unpaid balance owed by the customer, not to exceed thirty percent (30%) of that balance without approval of and action by the Company's Board of Directors; provided that any such reduction shall be funded from a source that does not result in additional charges being imposed on other customers. The proportion of any reduction shall be determined on a case-by-cases basis based upon the customer's financial need, the Company's financial condition and needs, and the availability of funds to offset the reduction of the customer's unpaid balance.

1. Repayment Period: The customer shall pay the reduced balance by the due date determined by the General Manager or his or her designee, and that

date (the “Reduced Payment Date”) shall be at least fifteen (15) calendar days after the effective date of the reduction of the unpaid balance.

2. Compliance with Reduced Payment Date: The customer must pay the reduced balance on or before the Reduced Payment Date and must remain current in paying in full any charges that accrue in each subsequent billing period. If the customer fails to pay (i) the reduced payment amount within sixty (60) calendar days after the Reduced Payment Date, or (ii) the customer’s current service charges for sixty (60) calendar days or more, the Company may discontinue water service to the property where the customer receives water service and place a lock on the water meter for the property no sooner than five (5) business days after posting a final notice of its intent to discontinue service.

D. Temporary Deferral of Payment: Any customer who is unable to pay for water service within the normal payment period may, if the Company has selected this alternative, have payment of the unpaid balance temporarily deferred for a period of up to six (6) months after the payment is due. The General Manager or his or her designee shall determine, in their sole discretion, how long of a deferral shall be provided to the customer.

1. Repayment Period: The customer shall pay the unpaid balance by the deferral date (the “Deferred Payment Date”) determined by the General Manager or his or her designee. The Deferral Payment Date shall be within six (6) months from the date the unpaid balance became delinquent; provided, however, that the General Manager or his or her designee, in their reasonable discretion and on a case-by-case basis, may establish a Deferred Payment Date beyond that six (6) month period to avoid undue hardship on the customer.

2. Compliance with Reduced Payment Date: The customer must pay the reduced balance on or before the Deferred Payment Date and must remain current in paying in full any charges that accrue in each subsequent billing period. If the customer fails to pay (i) the unpaid payment amount within sixty (60) calendar days after the Deferred Payment Date, or (ii) the customer’s current service charges for sixty (60) calendar days or more, the Company may discontinue water service to the property where the customer receives water service and place a lock on the water meter for the property no sooner than five (5) business days after posting a final notice of its intent to discontinue service.

IV. Appeals: The procedure to be used to appeal the amount set forth in any bill for residential water service is set forth in this Section IV below. A customer shall be limited to three (3) unsuccessful appeals in any twelve (12) month period, and, if that limit has been reached, the Company is not required to consider any subsequent appeals commenced by or on behalf of that customer.

A. Initial Appeal: Within ten (10) days of receipt of the bill for water service, the customer has a right to initiate an appeal or review of any bill or charge. Such request must be made in writing and be delivered to the Company's office. For so long as the customer's appeal and any resulting investigation is pending, the Company cannot discontinue water service to the customer.

B. Overdue Notice Appeal: In addition to the appeal rights provided under Subsection A of this Section IV above, any customer who receives notice of an overdue bill via telephone or an Overdue Notice in accordance with Subdivision (B)(1) of Section II above, may request an appeal or review of the bill to which the notice relates at least five business (5) days after receiving notice via telephone or, if an Overdue Notice is sent, the date of the Overdue Notice, if the customer alleges the bill is in error with respect to the quantity of water consumption set forth on that bill; provided, however, that no such appeal or review rights shall apply to any bill for which an appeal or request for review under Subsection A, above, has been made. Any appeal or request for review under this Subsection B (an "Overdue Notice Appeal") must be in writing and must include documentation supporting the appeal or the reason for the review. The request for an appeal or review must be delivered to the Company's office within that (5) business days of receiving the overdue notice of delinquency discussed in this Subsection B above. For so long as the customer's appeal and any resulting investigation is pending, the Company cannot discontinue water service to the customer.

C. Appeal Hearing: Following receipt of a request for an appeal or review under Subsections A or B above, a hearing date shall be promptly set before the General Manager, or his or her designee (the "Hearing Officer"). After evaluation of the evidence provided by the customer and the information on file with the Company concerning the water charges in question, the Hearing Officer shall render a decision as to the accuracy of the water charges set forth on the bill and shall provide the appealing customer with a brief written summary of the decision.

1. If water charges are determined to be incorrect, the Company will provide a corrected invoice and payment of the revised charges will be due within ten (10) calendar days of the invoice date for revised charges. If the revised charges remain unpaid for more than sixty (60) calendar days after the corrected invoice is provided, water service will be disconnected on the next regular working day after expiration of that sixty (60) calendar day period; provided that the Company shall provide the customer with the notice of delinquency required under Subdivision (B)(1) of Section II above. Water service will only be restored upon full payment of all outstanding water charges, fees, and any and all applicable reconnection charges.

2. If Water Charges Are Determined to be Correct:

(a) If the water charges in question are determined to be correct, the water charges are due and payable within two (2) business days after the Hearing Officer's decision is rendered. At the time the Hearing Officer's decision is rendered, the customer will be advised of the right to further appeal before the Board of Directors. Any such appeal must be filed in writing within seven (7) calendar days after the Hearing Officer's decision is rendered if the appeal or review is an initial appeal under Subdivision A above, or within three (3) calendar days if the appeal or review is an Overdue Notice Appeal under Subdivision B of this Section IV above. The appeal hearing will occur at the next regular meeting of the Board of Directors, unless the customer and Company agree to a later date.

(b) For an initial appeal under Subdivision A of this Section IV, above, if the customer does not timely appeal to the Board of Directors, the water charges in question shall be immediately due and payable. In the event the charges are not paid in full within sixty (60) calendar days after the original billing date, then the Company shall provide the appealing customer with the notice of delinquency under Section II(B)(1) above and may proceed in potentially discontinuing service to the customer's property.

(c) For an Overdue Notice Appeal under Subdivision B of this Section IV above, if the customer does not timely appeal to the Board of Directors, then water service to the subject property may be discontinued on written or telephonic notice to the customer to be given at least twenty-four (24) hours after the latter to occur of: (i) expiration of the original sixty (60) calendar day notice period provided via telephone or set forth in the Overdue Notice as required under Section II(B)(1) above; or (ii) the expiration of the appeal period.

3. When a Hearing is Requested:

When a hearing before the Board of Directors is requested, such request shall be made in writing and delivered to the Company at its office. The customer will be required to personally appear before the Board and present evidence and reasons as to why the water charges on the bill in question are not accurate. The Board shall evaluate the evidence presented by the customer, as well as the information on file with the Company concerning the water charges in question and render a decision as to the accuracy of said charges.

a) If the Board finds the water charges in question are incorrect, the customer will be invoiced for the revised charges. If the

revised charges remain unpaid for more than sixty (60) calendar days after the corrected invoice is provided, water service will be disconnected on the next regular working day after expiration of that sixty (60) calendar day period; provided that the Company shall provide the customer with the notice of delinquency required under Section II(B)(1) above. Water service will be restored only after all outstanding water charges, and any and all applicable reconnection charges, are paid in full.

b) If the water charges in question are determined to be correct, the water charges are due and payable within two (2) business days after the decision of the Board is rendered. In the event the charges are not paid in full within sixty (60) calendar days after the original billing date, then the Company shall provide the notice of delinquency required under Section II(B)(1) above and may proceed in potentially discontinuing service to the customer's property.

c) Any overcharges will be reflected as a credit on the next regular bill to the customer, or refunded directly to the customer, at the sole discretion of the Board of Directors.

d) Water service to any customer shall not be discontinued at any time during which the customer's appeal to the Company or its Board of Directors is pending.

e) The Board of Director's decision is final and binding.

V. Restoration of Service: In order to resume or continue service that has been discontinued due to nonpayment, the customer must pay a security deposit and a reconnection fee established by the Company, subject to the limitation set forth in Section II(E)(1) above. The Company will endeavor to make such reconnection as soon as practicable as a convenience to the customer. The Company shall make the reconnection no later than the end of the next regular working day following the customer's request and payment of any applicable reconnection fee.

APPENDIX B

[FORM OF] AGREEMENT TO PROVIDE WATER SERVICE

This Agreement to Provide Water Service ("Agreement") is dated as of [] ("Effective Date") by and between Lincoln Avenue Water Company, a California corporation (the "Company"), and [] ("Developer") (each, a "Party"; collectively, the "Parties"), on behalf of and for the benefit of [] ("Owner").

Recitals

A. The Company provides water service to the properties owned by its shareholders within its identified boundaries and has transmission and distribution facilities throughout its service area.

B. Developer proposes to construct [describe development] at property situated within the Company's boundaries that is owned by Owner, commonly known as [] (the "Property").

C. Developer has requested water supply for the Project and is in the process of receiving approvals from all applicable governmental entities for the construction of the Project, including the installation of water system improvements necessary to provide required water service and fire flow (collectively, "Water Service") to the Project.

C. The Company's Board of Directors has indicated a preliminary willingness and ability to provide Water Service to the Project, subject to the terms, conditions, limitations, and restrictions set forth in this Agreement, and the Company's Rules and Regulations, bylaws, resolutions, policies, and schedules of fees and charges, as amended from time to time (collectively, "Company Rules").

Agreement

Now, therefore, with reference to the facts and defined terms above, and in consideration of the promises, conditions, and mutual covenants below, the Parties agree as follows:

1. Preliminary Willingness and Ability to Provide Water Service. This Agreement indicates the Company's preliminary willingness and ability to make Water Service available to the Project, subject to (a) the terms and conditions of this Agreement; (b) Developer's agreement to make appropriate financial arrangements to fund the construction and installation of the necessary improvements, including, but not limited to, constructing and installing any of the following improvements that are necessary to provide Water Service to the Project: [describe improvements] collectively, the "Facilities"); (c) Developer's compliance with all of the Company Rules; and (d) Developer's full satisfaction of all applicable laws, rules, regulations, and standards

relating to the Project and the performance of its obligations under this Agreement. Developer expressly acknowledges that the development of the Project in reliance upon this Agreement is at the Developer's own risk for which the Company shall have no liability.

2. Payment of Costs. The Parties shall cooperate in determining the size, location and other characteristics of the Facilities necessary to provide Water Service to the Project. Developer shall reimburse the Company for all reasonable costs incurred in connection with the work authorized under this Agreement; including, but not limited to, (i) the Company's staff costs and overhead; (ii) charges by Company's legal counsel and any consultants relating to the Project, including any out-of-pocket expenses incurred in connection with the preparation (if applicable) and review of plans, designs, or other documents relating to the Project; and (iii) any other costs and expenses related to the construction, installation, operation, and conveyance of the Facilities to the Company in accordance with this Agreement. To ensure these expenses are paid, Developer shall deposit monies with the Company pursuant to Sections 2.1, 2.2 and 2.3, below. The Company will charge the costs it incurs under this Agreement against the deposit and shall render monthly accountings to Developer of the charges and remaining balance of the deposit. If the deposit becomes exhausted, Developer shall provide an additional deposit in an amount to be agreed upon by the Parties. Upon termination of this Agreement, any unused deposit shall be promptly refunded to Developer without interest.

2.1. Preliminary Design/Plan Check. Upon execution of this Agreement, Developer shall deposit with the Company the sum of [amount], as a non-refundable plan review fee, and submit any pertinent site plans, building plans, and specifications for the Facilities (stamped by a registered professional engineer familiar with the preparation of underground water utilities plan and specifications in public rights of way and streets) and any other documents that may be required by the Company. Upon receipt, the Company's General Manager or, at his sole discretion and at Developer's cost and expense, an outside engineer, shall review those plans.

2.2. Will Serve Letter. Developer shall deposit with the Company the sum of [amount] to cover expenses associated with the issuance of a "will-serve letter" for the Project.

2.3. Inspection Fees and Other Costs. Upon execution of this Agreement, Developer shall deposit with the Company the initial sum of [amount], which is an initial estimate and may be increased by the Company at its discretion, for reimbursement of Company costs incident to field inspection of the construction of the Facilities, as set forth in Section 6, below, and other costs the Company incurs in connection with the Project, as described in Section 2, above. The inspection costs referenced in this Section 2.3 and related inspection rights set forth in Section 6, below, are separate and apart from any inspection costs that may be charged by the City of Cudahy in connection with the construction of the Facilities or other aspects of the Project and any subsequent compaction and repaving of the public right of way and street in front of the Project that may be required as a result of the installation of the Facilities. In accordance with Section 3.7, below, Developer shall be solely responsible for all costs and expenses related to compliance with the City of Cudahy's requirements pertaining to the Project.

If any amount deposited under this Section 2.3 exceeds the actual costs incurred by the Company in connection with such services rendered by the Company, the excess shall be returned to Developer no later than seven (7) business days of the date the Company finally determines the amount of its actual costs. If the actual costs incurred by the Company in connection with such services exceed the amount deposited by Developer, Developer shall be responsible for payment of such excess costs no later than seven (7) business days after the date of invoice from the Company setting forth such excess costs. Water Service to the Project will not commence before any such excess costs are paid in full. The Company will use its best efforts to minimize all costs incurred in connection with the Project.

3. Construction of Facilities; Permits.

3.1. Upon the Company's review of the plans and specifications for the Facilities, including such terms and conditions relating to the construction, ownership, and control of such Facilities as may be required by the Company or its engineer, Developer shall contract for the construction and installation of the Facilities with a contractor of Developer's choosing that is properly licensed by the State of California Contractor's State License Board to complete the construction of the Facilities (typically licensed as an "A" general engineering contractor and a C-34 pipeline contractor specializing in underground water utilities in public rights of way and streets). No later than fourteen (14) business days prior to the commencement of any work to install the Facilities, Developer shall submit to the Company the name of the contractor it proposes to use to construct or install the Facilities for the Company's approval, which will not be unreasonably withheld. The Company shall inform Developer of its decision no later than seven (7) business days after submittal. All contractors and subcontractors performing work related to the Facilities shall be properly licensed under the laws and regulations of the State of California. The construction of the Facilities shall comply with all applicable local, state, and federal laws, rules, regulations, and requirements.

3.2. All work related to construction or installation of the Facilities is for the convenience of and at the request of Developer, who shall be solely responsible for all costs and expenses in connection therewith. The Company shall not be responsible to any contractor, subcontractor, supplier, or materialmen for any costs or expenses related to or arising from such work. Developer shall not permit any claim to be enforced against the Facilities, including, but limited to, any mechanics' lien, regardless of how such a claim may arise. Developer shall, no later than five (5) business days of the assertion thereof, cause any such claim to be discharged or provide a bond releasing such claim, in a form satisfactory to the Company.

3.3. Developer shall provide the Company with a schedule for construction of the Facilities and shall keep the Company advised of the schedule and progress of work. No work shall be performed unless (a) there has been a pre-construction meeting with representatives of the Company, Developer, and Developer's contractor in attendance; (b) the Company has been given written notice of the name and telephone number of the contractor's job superintendent who shall be the contractor's representative at the job site and shall have authority to act on behalf of the contractor, and the name and telephone number of contractor's alternate

representative in the event the job superintendent is unavailable; and (c) the Company has been given at least five (5) business days written notice of the commencement of work.

3.4. Developer shall have a written agreement with its contractor, which shall incorporate by reference the terms and conditions of this Agreement. Developer shall furnish its contractor with a copy of this Agreement and shall cause the contractor to acknowledge in writing contractor's agreement to be bound by the terms and conditions of this Agreement. A fully executed copy of the agreement between Developer and its contractor shall be delivered to the Company prior to commencement of work on the Facilities.

3.5. All work to be performed in connection with the construction or installation of the Facilities shall have a guarantee from Developer against defects in workmanship or materials for a period of one (1) year after the Company's acceptance of the Facilities. Developer shall repair, or shall cause to be repaired, any and all such work, together with any other work which may be displaced in so doing that is found to be defective within such guarantee period, without any expense whatsoever to the Company. In the event of a failure to comply with the above-mentioned conditions within seven (7) business days of being notified of such in writing, the Company shall be entitled to have the defects remedied and the work repaired or replaced, at the expense of Developer, and Developer shall pay to the Company the cost of all reasonable expenses the Company incurs in connection with any such repair or replacement work immediately upon demand by the Company. Additionally, Developer shall provide the Company with any manufacturer warranties that may be applicable to materials or equipment included in the Facilities.

3.6. To the extent Developer or its contractor requires the use of construction water, such water shall be provided through a separate meter and in accordance with the Company Rules in effect at the time the construction work is commenced.

3.7. Developer and/or its contractor shall be responsible, at their cost and expense, for obtaining all permits necessary for construction and installation of the Facilities, including any excavation permit required by the applicable governmental entity or entities.

4. Change Orders. Developer shall not cause or allow any material change to be made to the Facilities' plans and specifications without the prior written approval of the Company.

5. Insurance. Prior to the commencement of any construction or installation work, Developer shall provide to the Company a policy or an original certificate of liability insurance in which the Company is named as an additional insured, along with its directors, officers, employees, agents, consultants, engineers, attorneys, and volunteers (collectively, the "Indemnified Parties"), against all third party Claims (as defined in Section 12, below) arising out of or in connection with the work to be performed under this Agreement. The policy (or policies) of insurance shall remain in full force and effect until the work is accepted by the Company. The Company and the Indemnified Parties shall be covered as insureds under the insurance provided

by Developer with respect to the following: (i) liability arising out of activities performed by or on behalf Developer or any contractor or subcontractor; (ii) products and completed operations of Developer or a contractor or subcontractor; (iii) premises owned, occupied, or used by Developer or a contractor or subcontractor; or (iv) automobiles owned, leased, hired, or borrowed by Developer or any contractor or subcontractor.

The coverage shall contain no special limitations on the scope of protection afforded to the additional insureds. The above-referenced insurance policy (or policies) shall be furnished at Developer's expense, in a form and with insurance companies authorized to do business and having an agent for service of process in California, and an "A-" policyholder's rating and a financial rating of at least Class VIII in accordance with the most recent Best's Insurance Guide, or if Best's is no longer published, comparable ratings from a service acceptable to Company. Such insurance, in addition to the multiple additional named insured endorsements set forth above, shall be broad form commercial general liability insurance in the amounts set forth below, and shall contain additional endorsements providing as follows: (i) blanket contractual liability coverage for Developer or contractor indemnification obligations owing to the Company, the Indemnified Parties, or others pursuant to this Agreement and any agreements between Developer and contractor(s) for work on the Project; (ii) coverage for explosion, collapse, underground excavation, and removal of lateral support; (iii) that the insurance may not be canceled or reduced until thirty (30) days after the Company has actually received written notice of such cancellation or reduction; (iv) "cross liability" or "severability of interest" coverage for all insureds under the policy or policies; (v) that any other insurance maintained by the Company or any other Indemnified Party or named insured is excess insurance, and not contributing insurance with the insurance required herein; and (vi) that the coverage afforded to the additional insureds shall not be affected by any failure of Developer, contractor, or any subcontractor to comply with reporting requirements or other provisions of the policy or policies, including breaches of warranties. The amount of coverage shall be no less than the following:

- General bodily injury and property damage – [One Million Dollars/Two Million Dollars (\$1,000,000/\$2,000,000)] per occurrence, and [Two Million Dollars/Five Million Dollars (\$2,000,000/\$5,000,000)] in the aggregate.
- Automobile bodily injury and property damage – One Million Dollars (\$1,000,000) per accident, including owned, non-owned, and hired autos, and providing coverage for loading and unloading.
- Workers compensation insurance as required by California law.

The evidence of insurance required to be provided to the Company shall include original copies of the ISO CG 2010 (or insurer's equivalent) signed by the insurer's representative and certificate(s) of insurance (Accord Form 25-S or equivalent) reflecting the existence of the required insurance. If required by the Company, Developer shall furnish a complete copy of the policy or policies, and all endorsements thereto. Commercial general liability insurance must include Company's, Developer's, and contractor's Protective Coverage, Products-Completed

Operations Coverage, Premises-Operations Coverage, and coverage of the Company's facilities during the construction and installation of the Facilities.

6. Inspection. The Company, or its representatives, shall perform all inspections of the Facilities during the construction phase (except any inspections by the County of Los Angeles or any other governmental entity) and upon completion of and the installation of the Facilities. The Company shall, at all times during construction or installation of the Facilities, have access to the sites where Facilities are under construction or being installed and shall be provided with every opportunity for ascertaining full knowledge respecting the progress, workmanship, and character of the materials and equipment used and employed in construction of the Facilities. Developer or its contractor shall give at least forty-eight (48) hours' advance written notice to the Company of any work being performed on a Saturday, Sunday, or holiday designated by the Company, or for more than eight (8) hours in a workday. Developer or its contractor shall give at least twenty-four (24) hours' advance written notice to the Company of back filling or otherwise covering any part of the Facilities constructed so that the Company may, if desired, inspect such work before it is concealed. The observation, if any, by the Company of the construction of the Facilities shall not relieve Developer or its contractor of any of their obligations under this Agreement. Defective work shall be made good, and materials and equipment furnished, and work performed which is not in accordance with the approved plans, may be rejected notwithstanding the fact that such materials, equipment, and work have been previously inspected by the Company.

7. Notice of Completion. Upon completion of the installation of the Facilities and approval of such installation by the Company pursuant to Section 6, above, to confirm that the Facilities were installed in accordance with the approved plans and specifications, Developer shall complete and record a "Notice of Completion" and provide a conformed copy of such recorded notice to the Company.

8. Meter Installation. As a condition of providing Water Service to the Project, Developer shall install individual water meters for each residential dwelling unit at the Project (Developer may utilize submeters if approved by the Company). In addition to any other monies to be paid under this Agreement, Developer, prior to the delivery of any Water Service by the Company to the Project, shall, if applicable, pay to the Company its established costs for installation of any meters and related appurtenances necessary to provide Water Service to the Project (unless Developer or its contractor will be installing such meters and these costs are included in the cost of construction of the Facilities, which will be paid for by Developer).

9. Acceptance of Facilities by Company. Upon completion of the installation of the Facilities, Developer shall transfer to the Company, free and clear of all liens, claims, and encumbrances, the Facilities, up to and including the meters providing Water Service to the Project, and those Facilities shall become the property of the Company upon the Company's acceptance thereof. The Company may require Developer to provide a deed, bill of sale, or other instrument of conveyance, conveying the Facilities from Developer to the Company.

10. Easements. To the extent the Facilities on the Company's side of the meter or meters to be installed at the Project site are situated on Owner's Property, Developer, at its cost and expense, shall transfer to the Company an easement necessary for the construction and operation of such Facilities, or direct Owner to transfer such to the Company.

11. Failure to Complete Project. In the event Developer fails to complete the Project, the Company shall reimburse to Developer any unexpended deposits for payment made hereunder.

12. Indemnification. With the exception of Claims (defined below) that result from the sole negligence or willful misconduct of the Company or its agents, Developer shall indemnify, defend (with counsel approved by the Company), and hold harmless the Company and the Indemnified Parties (defined in Section 5 above) from and against any third party claims, damages, losses, expenses, and other costs, including the costs of defense and reasonable attorneys' fees (collectively, "Claims") arising out of or resulting from the negligent design or negligent construction or installation of the Facilities, including, but not limited to, any Claims against the Company with respect to the failure, neglect, or refusal of Developer or its contractor to faithfully perform the work contemplated under this Agreement. This obligation shall not be abridged, reduced, or discharged by the maintenance of insurance. This Section 13 shall survive the expiration or earlier termination of this Agreement.

13. Water Service. The Company shall be under no obligation to provide Water Service to the Project until Developer has submitted to the Company a completed "Application for Water Service" for both (a) water service and (b) fire service in the form requested by the Company and the Facilities have been completed, installed, and accepted by the Company in accordance with this Agreement above, and all costs, fees and charges owing to the Company have been paid. The Company shall thereafter provide Water Service to the Project in accordance with the Company Rules, and Developer, and its successors and assigns, shall comply with such Company Rules. The Company neither guarantees nor agrees to supply water in any specific quantities, qualities, or pressures for fire flow, domestic use, or for any other purpose whatsoever, and no such obligations shall be implied.

14. Attorneys' Fees. In any dispute, litigation, arbitration, or other proceeding by which one party either seeks to enforce its rights under this Agreement (whether in contract, tort, or both) or seeks a declaration of any rights or obligations under this Agreement, the prevailing party will be awarded reasonable attorney's fees, together with any costs and expenses, to resolve the dispute and to enforce any judgment, including post-judgment attorney's fees costs and expenses and any attorneys' fees or costs incurred on appeal of any judgment.

15. Assignment; Transferability. This Agreement is specific to the Project and is not transferable to any other property or project. The rights and obligations of Developer under this Agreement are not assignable without the written consent of the Company, which will not be unreasonably withheld, and any prior written consent of the Company shall not operate to

release, excuse, or discharge Developer from any of its obligations under this Agreement. Any attempted assignment without the Company's written consent shall be null and void.

16. Governing Law; Venue. This Agreement and the application or interpretation thereof shall be governed exclusively by its terms and by the laws of the State of California. Venue for all purposes shall be deemed to lie within Los Angeles County, California, and any action to enforce this Agreement or for any remedies, damages, or other relief shall be brought only in the State Courts of the State of California for the County of Los Angeles.

17. Successors and Assigns. Subject to the provisions relating to assignment in Section 15, all terms and conditions in this Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the Parties. Nothing contained in this Agreement, expressed or implied, is intended to confer upon any person, other than the Parties and their permitted assigns and successors, any rights or remedies under or by reason of this Agreement.

18. Entire Agreement. This Agreement constitutes the entire agreement of the Parties with respect to its subject matter and no amendment, modification, or alteration of its terms shall be binding unless agreed to by the Parties in a written instrument that is dated after the Effective Date and duly approved and executed by each of the Parties.

19. Corporate Authority. Each person executing this Agreement on behalf of a Party represents and warrants that they have the authority to execute this Agreement on behalf of that Party and have the authority to bind that Party to the performance of its obligations hereunder.

20. Termination; Automatic Expiration. Either Party may terminate this Agreement by giving the other Party ten (10) calendar days' prior written notice, and in the case of termination by Developer, by also tendering to the Company an amount of money sufficient to pay all unpaid costs incurred by the Company prior to the effective date of the termination. If not terminated earlier by either Party under this Section, this Agreement shall automatically expire, and shall become null and void, two (2) years from the Effective Date, except for Section 12 above. Upon the automatic expiration of this Agreement, Developer shall tender to the Company an amount of money sufficient to pay all unpaid costs incurred by the Company pursuant to this Agreement.

21. Notices. All notices required by or to be provided under this Agreement shall be in writing and shall be deemed effective when personally delivered, sent by facsimile, with confirmation of receipt by the sending Party's facsimile machine, or transmitted electronically to the following e-mail addresses. If any such notice is provided by overnight delivery (including Federal Express, UPS Overnight, Overnight Express, Express Mail or other nationally recognized overnight delivery service), the notice shall be deemed effective upon notice of confirmation of receipt by the carrier. If any such notice is mailed by first class mail, the notice shall be deemed effective three (3) calendar days after a formal confirmation of mailing provided by the United

States Postal Service. Notices shall be delivered to the following addresses, or to such other addresses as the Parties may notify each other in writing from time to time:

If to Company: Lincoln Avenue Water Company
Attn: General Manager
564 West Harriet Street
Altadena, California 91001
E-mail: jennifer@lawc.org
Fax: _____

If to Developer: _____

E-mail: _____
Fax: _____

23. Counterparts; Further Assurances. This Agreement may be executed in in any number of counterparts, facsimiles, PDFs, photocopies, original or electronic counterparts, including DocuSign, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Each Party agrees, after this Agreement is executed, to sign and provide any additional documents required to implement its terms.

(Signature Page Follows)

The Parties have caused this Agreement to be signed, delivered, and effective as of the Effective Date.

Developer:

[name, entity type, etc.]

Company:

Lincoln Avenue Water Company,
a California corporation

By:
Its:
Date:

By: Jennifer Betancourt Torres,
Its: General Manager
Date:

APPENDIX C

Lincoln Avenue Water Company Policy Regarding Water Service To Be Provided To ADUs and JDUs

A. California is experiencing a shortage of affordable housing.

B. To address the shortage of affordable housing, the California Legislature has enacted statutes to facilitate the construction of accessory dwelling units, including SB 13 (Wieckowski) and AB 881 (Bloom) enacted in 2019. Since 2019, several new and additional state policies have created guidelines for ADU zoning, streamlining, and development at the local level.

C. Accordingly, the Board of Directors of Lincoln Avenue Water Company has adopted the policies set forth below with respect to water service to be provided to ADUs and JDUs (both defined below) within the Company's jurisdiction and service area to ensure compliance with applicable law.

1. Definitions.

- A. ***"Accessory Dwelling Unit"*** or ***"ADU"*** means an attached or detached residential dwelling unit that provides complete independent living facilities for one or more persons. It shall include permanent provisions for living, sleeping, eating, cooking and sanitation on the same parcel as the single-family or multifamily dwelling is or will be situated. An accessory dwelling unit also includes (i) an efficiency unit; and (ii) a manufactured home, as defined in Section 18007 of the Health and Safety Code.¹
- B. ***"ADU Description Criteria"*** has the meaning ascribed to it in Section 3(A)(ii) of this policy, below, and as further discussed in Section 3(B)(i) of this policy, below.
- C. ***"accessory structure"*** means a structure that is accessory and incidental to a dwelling located on the same lot.²
- D. ***"Company"*** means Lincoln Avenue Water Company.
- E. ***"Fee Criteria"*** has the meaning ascribed to it in Section 3(C)(ii)(d) of this policy, below.
- F. ***"Junior Accessory Dwelling Unit"*** or ***"JDU"*** means a unit that is (i) no more than 500 square feet in size *and* (ii) contained entirely *within a single-family residence*. A Junior Accessory Dwelling Unit may include separate sanitation facilities or may share sanitation facilities with the existing structure.³

¹ Government Code section 66313(a). All remaining references to "Section" in this policy refer to the Government Code, unless stated otherwise.

² Section 66313(b).

³ Section 66313(d).

2. **Application Process.**

- A. When a property owner in the Company’s service area plans to construct an ADU or JDU on the owner’s property, the property owner shall complete an application form concerning the water service to be provided by the Company to the proposed ADU or JDU. The application form must include information regarding the additional plumbing fixtures to be included in the ADU or JDU and, where feasible, the estimated additional water demand resulting from the ADU or JDU.
- B. Company staff will review the submitted application materials and consult with the applicant and possibly the applicable planning agency concerning the proposed ADU or JDU plans and the adequacy of water service to be provided by the Company.⁴
- C. The Company may not require fire sprinklers in an ADU if they are not required in the primary residence, and the construction of an ADU shall not trigger a requirement for fire sprinklers to be installed in the existing multifamily dwelling.⁵
- D. The Company’s issuance of a “will-serve” letter in connection with an application for a proposed ADU or JDU is expressly conditioned upon the property owner paying any application fees associated with the Company’s review of the property owner’s ADU or JDU application materials and plans.
- E. The Company’s supplying of water service to ADUs and JDUs is subject to the statutory limitations specified in Section 3 of this policy, below.

3. **Incorporation of Statutory Provisions.**

- A. **Legal Parameters for Water Service-Related Issues and Topics Pertaining to ADUs.**
 - (i) The relevant statutes that set forth the legal parameters for water service-related issues and considerations pertaining to ADUs and JDUs are set forth in Sections 66323 and 66324.
 - (ii) Section 66324 sets forth the primary parameters with respect to water service and fees, with an important cross-reference to paragraph (1) of subdivision (a) of Section 66323 (the “*ADU Description Criteria*”).

⁴ Section 66314(a).

⁵ Section 66323(d).

- (iii) There are three (3) separate issues addressed in Section 66324:
 - a) Whether a water supplier such as the Company can require a new service connection between the ADU or JDU and the utility/water main.
 - b) Whether a water supplier can require the payment of a (i) connection fee and/or (ii) capacity charge.
 - c) Whether an impact fee can be assessed.

B. When a *New Connection and Water Meter* for Water Service Can be Required.

- (i) Company staff shall review the ADU or JDU application materials submitted by the applicant to determine whether it can require a new and separate water connection for the proposed ADU or JDU. This can be done by reviewing the plans for each ADU and JDU that requests service to ascertain whether the proposed ADU or JDU falls under the *ADU Description Criteria*; that is, whether:

“The accessory dwelling unit or junior accessory dwelling unit is **within the proposed space** of a **single-family dwelling** or **existing space** of a **single-family dwelling** or **accessory structure** and may include an **expansion of not more than 150 square feet**⁶ beyond the **same physical dimensions** as the **existing accessory structure**. An expansion beyond the physical dimensions of the existing accessory structure shall be limited to accommodating ingress and egress.”⁷

- (ii) If the proposed ADU or JDU satisfies the ADU Description Criteria summarized in subsection (i) above, the Company may **not** require a new or separate service connection directly between the ADU or JDU and the Company’s water system,⁸ *so long as the other conditions in items (b)-(d) of the Fee Criteria in Section 3(C)(ii) of this policy, below, are met.*⁹
- (iii) For an ADU or JDU that meets the Fee Criteria in Section 3(C)(ii)(a)-(d) of this policy, as applicable, the Company may require a new or separate water

⁶ **Note:** Unlike ADUs, JDUs must be created from existing accessory structures and *cannot* include an expansion up to 150 square feet beyond the physical dimensions of the existing accessory structure (see California Department of Housing and Community Development *Accessory Dwelling Unit Handbook*, updated as of January 2025). Because a JDU, by definition, must be created entirely from and within an existing accessory structure (that cannot include an expansion up to 150 square feet), determining whether a new connection can be required for a proposed JDU requires an examination of Section 66323(a)(1)(D), which pertains to JDUs.

⁷ Section 66323(a)(1)(A). (Bolding added).

⁸ For example, if a garage conversion includes the addition of a new bedroom that is 20 feet by 20 feet (240 square feet in total), a new connection could be required because the conversion adds more than 150 square feet to the existing space.

⁹ Pursuant to Sections 66323(a)(1)(B)-(D).

connection directly between the ADU or JDU and the Company's water system.

- (iv) In summary, the Company may require a new or separate service connection to be installed for a proposed ADU or JDU if:
 - a) an existing space/single-family dwelling is being **expanded by more than 150 square feet** because of the ADU;
 - b) assuming an existing space/single-family dwelling is **not** being expanded by more than 150 feet, then, if any of the other conditions in items (b)-(d) of the Fee Criteria, below, are **not** met; or
 - c) the ADU is being constructed concurrently with a **new** single-family home or upon separate conveyance of the ADU.¹⁰

C. When a *Connection Fee* Can be Charged.

- (i) Under California law, (a) an ADU shall not be considered "a new residential use" for purposes of "calculating" connection fees unless the ADU is constructed with a **new** single-family dwelling¹¹; and (b) a JDU shall not be considered a "separate or new dwelling unit."¹²
- (ii) For an ADU or JDU:
 - (a) that meets the *ADU Description Criteria* set forth in quotes in Section 3(B)(i) of this policy, above;
 - (b) has exterior access from the proposed or existing single-family dwelling;
 - (c) has side and rear setbacks that are sufficient for fire and safety, *and*
 - (d) if the unit is a JDU, the JDU complies with the additional requirements pertaining to JDUs in Sections 66333 to 66339 (items (a) through (d) of this subdivision (ii) of Section 3(C), collectively, the "**Fee Criteria**"), a connection fee can and may be charged by the Company, as applicable, and in accordance with this policy and the Company's schedule of water connection fees, as amended from time to time.
- (iii) For those ADUs or JDUs that do **not** meet all of the criteria in the ADU Description Criteria discussed above, the Company may impose a connection

¹⁰ Section 66324(d).

¹¹ Section 66324(d). (Emphasis added.)

¹² Section 66338(a).

fee; *provided, however*, that such fee must be proportionate to the burden of the ADU or JDU upon the Company's water system, based upon either (a) its square feet or (b) the number of its drainage fixture unit values, as defined in the Uniform Plumbing Code. Any such connection fee shall **not** exceed the reasonable cost the Company incurs in providing the service to the ADU or JDU.¹³

- (iv) The Company shall review each application concerning water service to be provided by the Company to a proposed ADU or JDU on a case-by-case basis, and the Company reserves the right to waive its ability to (a) require a new metered connection to the new ADU or JDU and (b) charge a connection fee, despite being legally authorized to do so under California law and this policy, if the Company's General Manager determines that an existing connection or meter at the property where the proposed ADU or JDU will be located is sufficient to meet the demand imposed by the new ADU or JDU without a new metered connection. In addition, if a property owner is rebuilding the owner's own (w) structure and (z) an ADU or JDU that previously existed on the owner's parcel of property which did not have a separately metered connection, and the owner is not materially increasing the size of the primary structure or the ADU or JDU that previously existed on the parcel, the Company reserves the same right to waive its ability to (y) require a new metered connection to the new ADU or JDU and (z) charge a connection fee.

D. Capacity Charge

- (i) A capacity charge, if applicable, may be charged by the Company in all instances where a connection fee may be required under California law and Section 3(C) of this policy, above.¹⁴

E. Impact Fees

- (i) The Company will *not* charge any impact fee for providing water service to an ADU or JDU under this policy.

4. Company staff will take all steps necessary to implement the foregoing policy and will recommend any changes to other Company policies or its *Rules for Water Service and Customer Relations* necessary to implement these principles.

¹³ Section 66324(e).

¹⁴ Sections 66324(d) and (e).