

SHANGRI-LA SHORES, INC. WATER SERVICE POLICIES

THE FOLLOWING WATER SERVICES POLICIES HAVE BEEN ADOPTED BY SHANGRI-LA SHORES, INC. PURSUANT TO A RESOLUTION OF THE BOARD OF TRUSTEES OF SHANGRI-LA SHORES, INC. ESTABLISHING WATER SERVICE APPLICATION, BILLING, PAYMENT, COLLECTION, AND CROSS CONNECTION PROCEDURES AND OTHER POLICIES CONCERNING THE PUBLIC WATER SYSTEM OWNED AND OPERATED BY SHANGRI-LA SHORES, INC.

A. DEFINITIONS

“Board” means the Board of Trustees of Shangri-La Shores, Inc., a non-profit corporation incorporated in the State of Washington (also referred to hereinafter as Purveyor as indicated below).

“Customer” means the current owner or owners of the lot or parcel of land as defined by the Island County Auditor’s tax parcel number that has a Water Share assigned by the Purveyor.

“Customer Account” means the account maintained by Shangri-La Shores, Inc. for each Customer.

“ERU or “Equivalent Residential Unit“ means the amount of water assumed for one Water Service Connection in the Water System design for the maximum day demand (MDD) for a full-time single-family residence as defined by the Washington State Department of Health *Water System Design Manual*, December 2009 or latest revision thereof. The quantity of water for one ERU shall be the amount established in the Purveyor’s *Water System Plan*, if applicable, approved by the Washington State Department of Health or 800 gallons per day for the MDD, whichever is the lesser.

“Purveyor” means Shangri-La Shores Inc., owner of the public water system identified by Washington State Department of Health ID #77850.

“Water Service Policies” means the policies set forth herein and in the *Application for Water Service and/or Water Share Assignment* attached hereto as Exhibit A.

“Water Service” means the supply of potable water from the Purveyor’s Water System to a Customer or to its Customers.

"Water Service Connection" or "Service Connection" means the physical installation of the tap, fittings, pipe and other necessary appurtenances required to deliver water from the water main up to and including the meter box, meter setter and/or meter installed in the public right-of-way or the Purveyor’s utility easement area for the use of the Customer’s lot or parcel of land to which Water Service is provided.

"Water Share" means an interest in the Water System that entitles the holder to the right to obtain a Water Service Connection to the Water System for one full-time single-family equivalent residential unit (one "ERU"). A Water Share was included with the ownership of each of the lots of the Shangri-La Shores Plats upon development of the Plats of Shangri-La Shores and upon the formation of the Water System. Water Shares were provided by the Purveyor to the fee owners and their respective successor owners (including their respective contract vendees but excluding contract vendors) of each of the lots of real property located within the plats of Shangri-La Shores, Division No. 1 and Shangri-La Shores, No. 2 situated in Island County in the State of Washington ("**SLS Plats**"), said SLS Plats being recorded with the Island County Auditor *for Division No. 1* on August 16, 1961 in Volume 29 of Plats, at page 395 under Auditor File No. 138502 and *for Division No. 2* on June 4, 1962 in Volume 29 of Plats, at page 440 under Auditor File No. 144896. Some of the initial lots in the SLS Plats have been combined so that two or more such lots have become a single legal parcel and each such combined parcel has one Water Share and is entitled to obtain only a single Water Service Connection.

Also, with the approval of the Purveyor in September 1989 the Water Share provided to Lot 7 of Block 5 in Shangri-La Shores Division No. 2 (currently Island County Tax Parcel No. S8150-02-05007-0) was assigned by the owner of said Lot to owner of Lot 1A of Block 3 in Shangri-La Shores Division No. 2 (Island County Tax Parcel No. S8150-02-03001-2) and as result of this transfer Island County Tax Parcel No. S8150-02-03001-2 had two assigned Water Shares. Subsequently, Parcel S8150-02-03001-2 was subdivided into parcels S8150-02-03001-3 and S8150-02-03001-4 and one of these Water Shares was assigned to the additional parcel.

Four additional Water Shares were granted by the Purveyor to Van G. Kellems ("**Kellems**"), the owner of certain real properties in the vicinity of the SLS Plats pursuant to a Water System Well, Tank Site and Access Easement Agreement, dated June 10, 1992, between Kellems, as Grantor and Purveyor, as Grantee ("**1992 Easement**"). Said Water Shares were subsequently assigned by Kellems to four specific parcels of real property currently known as Island County Parcel Nos. R23117-435-1680, R23117-500-1660, R23117-482-1100 and R23117-414-1150 ("**Easement Parcels**") and the legal owners (excluding contract vendors) and contract vendees and their successors and assigns of each of the Easement Parcels. Pursuant to a Mediation Agreement, dated October 1, 2012, between the Purveyor and Gregory and Judith Patrick (then current owners of three of the "Easement Parcels" - #482-1100, #500-1660 and #435-1680, three Water Shares were committed to those parcels for possible future sub-divisions. Subsequently, Parcel R23117-482-1680 was subdivided into parcels R23117-429-1580 and R23117-454-1870 and one of the Water Shares so committed was assigned to the additional parcel. The remaining two mediation agreement Water Shares will be assigned to specific parcels once legally created under the requirements as authorized by Island County.

Additional Water Shares may be assigned by the Board of the Purveyor from time to time to other specific legally created parcels of real property located within the service area of the Water System authorized by Island County and the Washington State Department of Health upon payment to the Purveyor of the Connection Fee described below in Section D for new Customers and upon compliance by the new Customers with all of the other the requirements of these Water Service Policies applicable to the issuance of Water Shares to new Customers including but not limited to the signing of the *Application for Water Service and/or Water Share assignment* described in Section B below.

"Water System" means the public water system owned and operated by Shangri-La Shores, Inc. with an engineered capacity of 90 connections and identified by the Washington State Department of Health ID #77850.

B. GENERAL

The Board of the Purveyor shall manage the Water System in the best interest of the members of the Shangri-La Shores, Inc. and the Customers of the Water System in accordance with all applicable laws and regulations and in accordance with the policies and procedures for the maintenance and ongoing operations of the Water System set forth in these Water Service Policies and as said Policies may be amended by the Board from time to time. The authority of the Board to manage the Water System shall include, but not be limited to adopting and amending these Water Service Policies and to establishing, pursuant to Section D, a schedule of regular fees and charges below for Water Service as well as special surcharges for major water system repairs, upgrades and capital improvements payable by the Customers of the Water System set forth in the *Schedule of Water Rates and Charges* referred to below in Section D. Any amendment to these Water Service Policies or any special surcharge for major repairs, upgrades or capital improvements to the Water System shall be established by resolution of the Board only after a presentation of the proposed amendment to the Water Service Policies, or in the case of any special surcharge the presentation of a capital improvement plan, budget and surcharge schedule, to the members of Shangri-La Shores, Inc. at an annual or special meeting of the members of the Purveyor, at which meeting all Customers of the Water System who are not members of the Purveyor shall be provided at least 15 days prior written notice of the meeting and be provided the opportunity to attend said meeting and to provide comment to the Board on the proposed amendment or special surcharge.

The Board of the Purveyor shall apply the policies set forth herein equally to all Customers.

Water Service is provided by agreement between each Customer and Shangri-La Shores, Inc.

The form of agreement consists of an *Application for Water Service and/or Water Share Assignment* that is hereby required to be signed by any Customer for new Water Service to a particular parcel of land owned by the Customer. A copy of the form of the *Application for Water Service and/or Water Share Assignment* is attached hereto as **Exhibit A**. Until such time as the current owner or owners of any lot or parcel of land currently receiving Water Service from the Water System has executed an *Application for Water Service and/or Water Share Assignment* in the form attached hereto as Exhibit A, all of the terms, conditions and provisions set forth in the form of the *Application for Water Service and/or Water Share Assignment* attached hereto as **Exhibit A** and in these Water Service Policies shall be deemed to constitute the terms and conditions of the obligation of Purveyor to continue to provide Water Services to that lot or parcel of land.

The Customer shall submit to the Purveyor, along with the signed *Application for Water Service and/or Water Share Assignment*, a check or money order for all connection charges and other applicable fees and costs established by the Board of Purveyor in accordance with these Water Service Policies.

Upon the Purveyor's acceptance of an *Application for Water Service and/or Water Share Assignment*, the water rate fees and charges outlined in Section D and Section E hereinafter, shall be billed thereafter to the Customer and Customer shall be obligated to pay all such fees and charges in accordance with these Policies.

All lots and parcels of land within the Purveyor's service area are considered single parcels and, except as provided in Section G below, are entitled to purchase only one service connection to supply the quantity of water normally used by one full-time single-family equivalent residential unit (ERU) as defined in Section A. The provision of water in a greater amount than one ERU shall be at the sole discretion of the Purveyor.

A Customer with an assigned Water Share shall surrender the applicable Water Share to the Purveyor when the Customer combines two or more lots or parcels of real property that each has a Water Share into fewer legally established lots or parcels (the intent is to have only one Water Share assigned to any one lot or parcel of real property). Such surrender of a Water Share shall provide no relief from the obligation of the Customer to pay any charges, fees, costs, penalties or other amounts payable by the Customer to the Purveyor in accordance with these Water Service Policies ("Water Charges") with respect to the lot or parcel that surrenders a Water Share. No compensation will be granted to the Customer or payable by the Purveyor or the Water System to the Customer for any surrendered Water Share with the understanding that commencing on January 1 following the date of surrender, there will be no further responsibility for the owner of the lot or parcel that was assigned the surrendered Water Share to pay any future Water Charges associated with such surrendered Water Share other than the payment of any special surcharges for major repairs, upgrades or capital improvements previously scheduled for payment by the Customer of the surrendered Water Share on or after the January 1 that follows the date of surrender.

All Water Shares and related Water Service Connection assigned by the Purveyor to a particular lot or parcel, of real property shall be deemed appurtenant to each such lot or parcel and the Water Share and related Water Service shall automatically pass with the sale or other transfer of ownership of any of said lots or parcels and shall be subject to the terms and conditions of these Water Service Policies. In addition, any Customer Obligations including charges or special surcharges for major repairs, upgrades or capital improvements previously required to be paid by the prior owner shall pass to the new owner and any and all past due charges will be owed by the new owner and payable on transfer of ownership. Ongoing charges for major repairs, upgrades, etc. previously due, shall then be required to be paid as due by the new owner.

Water shall not be conveyed by the Customer to any other lot or parcel of land or to any location beyond the lot or parcel of land being served with water in accordance with an authorized service connection. Any unauthorized connections or diversion of water shall immediately be terminated as directed by Purveyor.

No person shall tamper or interfere with the Water System, nor shall any person, except as authorized in writing by the Purveyor, connect to or operate any pipe, valve, meter, hydrant or other part of the Water System.

The Purveyor reserves the right to require any Customer to install, as a condition of receiving or maintaining Water Service, a pressure reducing valve, surge tank, air gap or backflow prevention assembly, or similar devices at any location where the Purveyor determines a need exists to protect the Purveyor's Water System from physical damage or contamination. Installation to be completed within 90 days of notification unless the Purveyor deems it necessary to accomplish sooner.

The supply of water to any Customer is contingent upon:

1. The requirement that the Customer shall take all measures necessary to prevent the contamination of the plumbing system within the Customer's premises and the Purveyor's water distribution system that may occur from backflow from a cross connection. These measures shall include the prevention of backflow under any backpressure or back siphonage condition, including the disruption of supply from the Purveyor's Water System that may occur by reason of routine system maintenance or during emergency conditions, such as a water main break.
2. The Customer installing, operating and maintaining, at all times, the Customer's plumbing system in compliance with the current edition of the Island County Plumbing Code as said Code pertains to the prevention of contamination, prevention of water hammer, and protection from thermal expansion due to a closed system that could occur with the present or future installation of backflow preventers on the Customer's service and/or at plumbing fixtures.

The Customer shall defend, indemnify and hold harmless the Purveyor and its contractors, agents, employees, officers and trustees (herein collectively referred to as "Indemnities") from and against all claims, injuries, damages, losses, suits, or liabilities for injury or death of a person or for damage to property, including attorney's fees, made by or brought against any of the Indemnities and arising out of or in connection with the contamination of the Customer's plumbing system or the Purveyor's water distribution system that results from an unprotected or inadequately protected cross connection within the Customer's premises. This indemnification shall pertain to all backflow conditions that may arise for the Purveyor's suspension of water supply, recognizing that an air gap separation on the Customer's service pipe would otherwise be provided by the Purveyor to supply water to the Customer, and the air gap would necessitate the Customer providing adequate facilities to collect, store and pump water for Customer's premises.

The Purveyor shall not be liable for damages nor will allowances be made for loss of production, sales or service in case of water pressure variations, or revisions to pressure within the system, or in case the operations of the Purveyor's sources of water supply or means of distribution fails or is curtailed, suspended or interfered with, or for any cause beyond the Purveyor's control. Such pressure variations, failure, curtailment, suspension, interruption or interference shall not be held to constitute a breach of contract on the part of the Purveyor, or in any way affect the obligation for payment by the Customer for rates, fees and charges due to Purveyor pursuant to these Policies.

The Purveyor shall supply Water Service to the point of connection at a pressure equal to or greater than the level required by the Washington State Department of Health. Above this pressure, the Purveyor may alter the pressure supplied to the Customer as needed for the efficient design and operation of the Water System.

The Purveyor shall supply Water Service at a pressure less than 150 psi. Should the Customer wish pressure less than that supplied by the Purveyor, the Customer shall be responsible for the installation of a pressure-reducing valve on the Customer's plumbing system.

The Customer shall not install a booster pump within the Customer's plumbing system without the prior express written permission of the Purveyor.

These Policies apply to all Customers and Customers' lots and parcels of land located within the Purveyor's service area.

C. INSTALLATION, OWNERSHIP AND MAINTENANCE RESPONSIBILITIES

The Purveyor shall install the service pipe from the well or reservoir to the Downstream Connection Point (as defined below), as well as the meter and meter box as required to provide Water Service to a new Customer.

In compliance with applicable municipal water laws and rules and regulations of the Washington State Department of Health mandating the installation of water meters and commodity charges for use of water; water meters shall be installed with all new service connections. The first meter reading occurs on installation and charges for commodity use begin on the next normal billing cycle.

The Purveyor may delay installation of a service connection until such time as the Purveyor determines that the Customer's construction activities will not present a risk of damage to the Purveyor's facilities or the Water System. This delay may extend beyond the 120-day period noted in Section H for providing "timely and reasonable" service.

The Purveyor's ownership of the Water System starts at the sources of supply, includes all the public water treatment, storage, and distribution facilities, and ends at the point of delivery to the Customer's water system, which begins at the downstream end of the service connection located in the well site lot or the reservoir lot of the Water System; the public right-of-way; or the Purveyor's utility easement area ("Downstream Connection Point") as described in Section I. The downstream end of the service connection shall be defined by the downstream connection to the meter setter or meter (where a meter setter is not utilized) inside the Purveyor's meter box. The Customer shall be responsible for the installation, maintenance, repair and future replacement of the service pipe from the Downstream Connection Point to the connection to the Customer's plumbing system.

D. WATER RATES AND CHARGES

The Purveyor's most recent *Schedule of Water Rates and Charges* established by resolution of the Board of Trustees of Shangri-La Shores, Inc., shall apply to and govern all fees, charges, surcharges and penalties applicable to the Water System, Water Service and Water Service Connections.

Periodic Charges:

The periodic water bill submitted by Purveyor to its Customers shall reflect the following for each billing period as applicable:

- Total water used.
- The "Flat Rate" charge established annually by the Board which shall be payable by all Customers.
- The commodity charge for water usage for all Customers that have a Water Service Connection).
- Any special surcharge established by the Board for major repairs, upgrades or capital improvements to the Water System established by resolution of the Board after a presentation of a capital improvement plan, budget and surcharge schedule to the members of the Purveyor and to any Customers who are not members of Purveyor at an annual or special meeting of the members of Purveyor for the review and comment of the members of the Purveyor and the Customers who are not members of Shangri-La Shores, Inc. ("Special Surcharge.").
- Miscellaneous fees and charges set forth in these Policies, the *Schedule of Water Rates and Charges*, and as may be established by the Board pursuant to these Policies.
- All delinquency penalties established by the Board pursuant to these Policies.
- All applicable taxes.

Connection Fees and Costs for Issuance of New Water Shares for New Water Service:

The connection fees and costs for a ¾-inch service pipe for a new Customer shall be set forth in the Purveyor's most recent *Schedule of Water Rates and Charges* and will include each of the following:

- A Connection Fee established by the Board from time to time that entitles an owner of a legally created lot or parcel of real property in the duly authorized service area of the Water System to obtain a Water Share to be assigned to the lot or parcel together with the right to obtain Water Service to the lot or parcel from the Water System for one full-time single-family equivalent residential unit (a "ERU"). The Connection Fee shall be based on the Board's determination of the historical cost of the initial improvements to the Water System and the costs of all subsequent improvements to the Water System, adjusted for depreciation and inflation, plus any monetary reserves held by the Purveyor for future capital improvements to the Water System and prorated based on the number of Water Shares issued and assigned immediately prior to the date that a new Customer applies for the issuance of a new Water Share.
- The actual cost incurred by the Purveyor for any materials and labor of installation of Water Service and meter, if applicable, for the benefit of a particular Customer.
- The actual costs incurred by the Purveyor for any materials and labor for the installation of any service pipe for the benefit of a particular Customer.
- Applicable administration and charges set forth in these Policies.
- Applicable taxes.

At the time of a Customer's submittal of an *Application for Water Service and/or Water Share Assignment* (for new Water Service as opposed to a change of ownership), the Purveyor shall estimate its cost for installation of Water Service. The Customer's application shall be processed upon the Customer's payment of the Connection Fee and the estimated cost of installation and of all connection charges and other applicable fees and costs established by the Purveyor and required to be paid to Purveyor in accordance with these Water Service Policies at the time the Application is submitted to Purveyor. Upon completion of the service connection, the Purveyor shall submit a confirmation of a refund or a bill to the Customer for the difference between the estimated cost and the actual cost of installation and the refund or bill shall be paid within thirty (30) days of submittal.

The minimum assessed MDD per Customer is 1 ERU. For multi-family and mixed use premises, if any, the number of ERUs assessed to a Customer shall be rounded upward to the nearest ½ ERU. An auxiliary residential dwelling with less than 800 square feet of floor space (excluding garage) for a single-family Customer that contains a kitchen facility (e.g., mother-in-law suite) will be assessed as ½ ERU in addition to the 1 ERU for the primary residence. An auxiliary residential dwelling of 800 square feet or greater shall be assessed as 1 ERU.

The Purveyor shall reassess a Customer's water demand upon any change of property use or expansion of any buildings on the Customer's lot or parcel of land. The Customer, with a change in occupancy or an application for building permit, shall pay, in addition to the Connection Fee, a hook-up expansion fee assessed for expansion of service. The Purveyor shall not give a refund for a reduction in service.

Prospective Customers shall, at the time of submittal to Purveyor of an *Application for Water Service and/or Water Share Assignment*, specify the type and scale of use proposed for the service (single family residence authorized by applicable zoning laws). The Purveyor's approval of a service connection as signified by the issuance to Island County of a "Water Availability Form" shall be contingent upon the connection serving only the use specified at the time of the Application and for no other use without the prior written approval of the Purveyor.

During the duration of the Water Service, the Purveyor shall have the authority to disapprove changes in use of a Water Service or apply restrictions or conditions deemed appropriate or necessary to Purveyor to approval of a change of use necessary for proper system operation, and for protection of the Water System from contamination and/or seawater intrusion or for excessive usage.

Separate service connections may be requested for residential fire sprinkler systems only. The separate fire service connection shall be equipped with a Customer installed and Purveyor approved backflow prevention assembly. The connection fee shall include the actual cost of installation plus the administration overhead charges set forth in this Section D and in Section E.

The fee for the Purveyor to install a backflow prevention assembly on the Purveyor's service pipe if required to isolate a Customer's premises shall include the actual cost of installation plus the administration overhead charges set forth in this Section D and in Section E. Once installed, a quarterly maintenance fee as established in the Purveyor's most recent *Schedule of Water Rates and Charges* shall be assessed to the Customer for the Purveyor's annual testing, inspection, maintenance, repair and future replacement of the assembly in accordance with WAC 246-290-490.

The Purveyor shall submit all water bills and billing notices to the Customer (property owner) and not to any renter, lessee or other non-owner occupant of the Customer's property.

E. MISCELLANEOUS FEES, CHARGES AND ASSESSMENTS

An administration charge as established in the Purveyor's most recent *Schedule of Water Rates and Charges* shall be assessed by the Purveyor to each bill issued to a Customer with delinquent fees or charges due to the Purveyor. In addition, all delinquent fees and charges shall bear interest at the rate of twelve percent (12%) per annum from the date the fees and/or charges (or any unpaid portion thereof) become delinquent and until the delinquent fees and/or charges are paid in full.

An administration charge as established in the Purveyor's most recent *Schedule of Water Rates and Charges* shall also be assessed for any dishonored check received by the Purveyor in payment of water bill or other debt owed to the Purveyor and any bookkeeping entry for payment of the debt for which a dishonored check is received from a Customer shall be reversed in the Purveyor's accounts for said Customer and re-entered to the Customer's Account.

For accounts that are repeatedly delinquent, the Purveyor may, in addition to the right to terminate a Customer's Water Service pursuant to Section F, upon thirty (30) days prior notice to the Customer, require a deposit before re-instatement equal to the current Annual Flat Rate charge plus an estimated annual "Commodity Charge" to be deposited in the Purveyor's Account. When such time as the Customer demonstrates a one-year history of consistent and timely payments, the deposit held by Purveyor, shall be credited to the Customer's Account. The Purveyor shall retain any interest on any deposited funds.

In the event the Purveyor terminates Water Service as a result of a delinquent billing, the fee for reinstatement shall include, in addition to any other remedies, an administration fee as established in the Purveyor's most recent *Schedule of Water Rates and Charges*. In addition, any outstanding Customer Obligations shall be paid in full prior to reconnection of water supply.

In each periodic billing period, the Customer may obtain one scheduled turn-on or shut-off of Water Service at the meter during normal working hours at no cost, provided at least twenty-four (24) hours written notice is given to the Purveyor. The Customer shall be billed the after-hour rate for a service call for all other shut-off and turn-on of services within the applicable billing period.

The per hour rate for after hours service calls requested by the Customer for water service shut-off due to problems on the Customer side of the water meter shall be as established in the Purveyor's most recent *Schedule of Water Rates and Charges*. For purposes of this paragraph, "after-hours" shall mean: (1) before seven-thirty a.m. and after four-thirty p.m. Monday through Friday other than on federally recognized holidays and (2) any time on weekends and on all federally recognized holidays.

Water used during the course of construction from a fire hydrant (See Section K below) or from any other temporary water connection authorized for use by the Purveyor shall be assessed a commodity charge as established in the Purveyor's most recent *Schedule of Water Rates and Charges*, plus an administration fee for monitoring water use from the temporary water connection as established in the Purveyor's most recent *Schedule of Water Rates and Charges*.

The administration overhead charge shall be ten percent (10%) and shall be added to the cost of work done "at cost" on behalf of the Customer or others (e.g., other utility), including but not limited to the relocation of services or meter boxes and extension of water mains.

For the cost of work billed to the Customer with an estimated value over \$20,000, the Purveyor may determine the applicable administration overhead charge as part of the agreement to perform the work.

F. BILLING PERIOD, PERIOD OF DELINQUENCY, NOTICE OF LIENS AND TERMINATION OF WATER SERVICE

The Purveyor shall bill all Customers for the Water Service Flat Rate on an annual basis, with billings issued on or about January 1 of each year for Water Service for that calendar year. Commodity charges shall be billed for water used since the last meter reading, as specified in the most recent *Schedule of Water Rates and Charges*. Payment of Water System bills and other debts owed to the Purveyor shall be made to the Purveyor or their designee. Delivery of payment shall be made by U.S. Mail or by courier service to the address specified on the billing invoice.

All water billings shall be delinquent if not paid within forty-five (45) days from the date of billing. In the event that a water billing shall become delinquent, the Purveyor shall issue the following notices to the Customer:

1. The first notice shall be issued no earlier than ten (10) days after a water billing has become delinquent.
2. A second notice shall be no earlier than thirty (30) days after a water billing has become delinquent. The second notice shall state that the Purveyor shall be entitled to terminate the Customer's Water Service at any time stated in the second notice that is at least ten (10) days following the date of delivery of the second notice if the delinquent water billing is not paid in full by the date stated in the notice.

A water billing shall be considered delinquent if not paid in full when due and owing, including all penalties and interest charges assessed pursuant to Section D and Section E.

Said notices shall be deemed delivered on the date the Purveyor deposits the notice in the U.S. Mail and mailed to the Customer's billing address. The Purveyor shall have no obligation to provide notice of delinquency and termination of Water Service to any person occupying, leasing or renting the Customer's property. Notwithstanding the aforesaid, the delivery of a shut-off or termination-of-water-service notice utilizing a door hanger placed on the front door of a dwelling located on the Customer's premises ("door hanger service") shall also constitute effective written notice to the Customer issued on the date of delivery of the notice utilizing door hanger service.

The Customer notified of the pending shut-off of Water Service for delinquency in payment of a debt owed to the Purveyor may submit a written appeal prior to two (2) working days before the date stated for shut-off or termination of Water Service. The appeal shall be delivered by registered U.S. mail or by courier service (with written confirmation of delivery) to the Purveyor's business address. The appeal shall set forth the reason(s) the Customer disputes the delinquent billing or state the reason(s) for requesting additional time to pay the bill. The appeal shall be reviewed and a ruling issued at the next regularly scheduled or at a special meeting of the Board of Trustees of Shangri-La Shores, Inc. and the pending shut-off of Water Service shall be postponed until ten (10) days after the date that the Purveyor deposits the Board's decision in the U.S. Mail and mailed to the Customer at its regular billing address. Should the Board's ruling reaffirm the shut-off of Water Service, Water Service may be shut off without further notice at any subsequent date.

After the first notice of pending shut-off of Water Service, the Purveyor may deliver subsequent shut-off notices, or after shut-off of service, a notice that service has been shut off utilizing door hanger service. Such practice of providing these notifications shall not constitute an obligation on the part of the Purveyor.

In the case of undue hardship for a Customer accepted as justified by the Board of Trustees of Shangri-La Shores, Inc., the Board may extend the period for payment of a delinquent water billing and/or other debts owed to the Purveyor for a period of up to ninety (90) calendar days or a longer period if mutually agreed to in

writing by the Customer and the Board. With any extension of time for payment, the Customer's bill shall accrue interest and other charges pursuant to Section D and Section E.

Any correction in the Customer's Account due to errors or omission by the Purveyor may be made within one (1) year of the issuance of a water billing. The Purveyor shall make a refund or assess the Customer for the difference, including refunding any assessed interest or administrative charges issued to the Customer within the one (1) year period.

In the event that the Purveyor terminates a Customer's Water Service as a result of delinquent billing, Water Service shall be reinstated at the Purveyor's convenience but not until such time as the delinquent bill plus all fees and charges assessed pursuant to Section D and Section E, have been paid in their entirety or a payment plan and schedule that has been mutually agreed to in writing by the Customer and the Board.

Notice of Liens. Each Customer of any lot or parcel by acceptance of Water Service, or execution of an *Application for Water Service and/or Water Share Assignment* is deemed to covenant and agree to pay to Purveyor all fees, charges, costs, interest, penalties and costs set forth in Sections D and E and any other Sections of these Water Service Policies, together with any costs and reasonable attorney's fees which may be a charge to Customer or to the Customer's lot or parcel ("Customer Obligations"). Customer Obligations, together with interest at the rate of twelve percent (12%) per annum, and all costs and reasonable attorney's fees which are incurred by the Purveyor in the process of collecting said Customer Obligations, shall be a continuing lien against the Customer's lot(s) or parcel(s) and shall also be the personal obligation of the Customer, and the Purveyor may record public notices of such liens against the affected lot(s) or parcel(s) with the Auditor of Island County. Any such lien shall be subordinate to tax and governmental assessment liens and to any prior mortgage or deed of trust ("Mortgage") of record. Where the buyer or mortgagee of a lot or parcel obtains title to the lot or parcel as a result of foreclosure of a first Mortgage, such buyer or mortgagee, or its successors and assigns, shall not be liable for any of Customer Obligation chargeable to such lot or parcel which became due prior to the acquisition of title to such lot by such buyer or mortgagee. Such unpaid Customer Obligations shall continue to be the personal obligation of the Customer and to the extent not paid by the Customer shall be treated as a common expense of the Water System. In the case of a voluntary conveyance of a lot or parcel by a Customer, the buyer or transferee shall be jointly and severally liable with the Customer for all unpaid Customer Obligations up to the date of the grant or conveyance. However, upon request of a prospective buyer or transferee, the Purveyor shall make, certify, and deliver a statement of unpaid Customer Obligations against the Customer (seller or transferor of the lot or parcel), and upon satisfactory payment of such Customer Obligations set forth in said statement, the buyer or transferee in that case shall not be liable for, nor shall the lot or parcel when conveyed be subject to a lien filed thereafter for any unpaid Customer Obligations against the Customer that granted or conveyed the lot or parcel in excess of the amount set for in the statement. In any case, the Water Share transfer and connection of Water Service shall be withheld until satisfaction of such unpaid Customer Obligations.

The Customer acknowledges the right of the Purveyor to discontinue Water Service within seventy-two (72) hours of giving notice, or a lesser period of time if required to protect the public health, in the Purveyor's effort to contain a contaminant or pollutant that is detected in the Customer's system.

Without limiting the generality of the foregoing, in lieu of discontinuing Water Service, the Purveyor may install a reduced pressure backflow assembly (RPBA) on its service pipe to provide premises isolation, and recover all of its costs for the installation and subsequent maintenance and repair of the assembly, appurtenances and enclosure from the Customer as fees and charges for water. The failure of the Customer to pay these fees and charges may result in termination of service in accordance with the procedures for other delinquencies set forth in these Water Service Policies or Purveyor's other established billing policies.

G. SUPPLY TO SUBDIVIDED PROPERTY / EXPANSION OF SERVICE AREA

No Water Service shall be provided to the lot or parcel of land of a potential Customer whose real property is located outside the service area of the Water System without the Purveyor first obtaining:

- A revised Service Area Agreement with Island County.
- Washington State Department of Health approval of any required update or revision to the Purveyor's *Water System Plan* or of a *Small Water System Water Management Program*, if applicable.

No Water Service shall be provided to any lots or parcels of land created within the service area of the Water System by the subdivision of property without the Purveyor first obtaining, if required by applicable laws, regulations or ordinances, Washington State Department of Health approval of an update or minor revision to the Purveyor's *Water System Plan* or of a *Small Water System Water Management Program* if applicable, or prior acknowledgement by the Washington State Department of Health that service may be provided without an update or minor revision to the Purveyor's *Water System Plan* or without a *Small Water System Water Management Program* if applicable.

Water Service shall not be supplied to an adjacent public water system (i.e., through a system intertie), except for temporary supply in the case of an emergency, without the Purveyor first obtaining:

- A revised Service Area Agreement with Island County.
- Washington State Department of Ecology approval of a change in water rights to cover the additional area of Water Service, and if necessary, new water rights to supply the additional Customers.
- Washington State Department of Health approval of an update or minor revision to the Purveyor's *Water System Plan* or a *Small Water System Water Management Program* if applicable.

Water Service shall not be provided to any lots or parcels of land located outside the service area of the Water System or additional lots created through subdivision of parcels inside the service area of the Water System without the Purveyor first establishing the adequacy of supply for the existing vacant parcels within the service area. The adequacy of supply for the existing platted lots and proposed additional lots shall be established through the number of Service Connections (ERUs) the Washington State Department of Health authorizes the Purveyor to supply and/or the number approved by Island County Health Department for areas assessed by Island County as being in a "high risk" category for seawater intrusion.

All costs for the expansion of service area of the Water System or to supply of water to any subdivided parcels within the service area of the Water System shall be borne by the applicant for Water Service to the proposed newly created the lots or parcels of land to be owned by potential new Customers. The costs shall include, but are not limited to the following:

1. Extension of water main(s) to the new lots or parcels of land of potential new Customers together with all costs to obtain and record any utility easements to enable Purveyor to install and maintain the extension of the water main and other related utilities required to supply Water Service to the proposed new lots or parcels. It shall be the responsibility of the applicant to obtain any required easements from the owner of the property that will be burdened by the required utility easement. Notwithstanding the foregoing, if arrangements satisfactory to the Purveyor and Water System's operator and engineer are made to permit the new lot or lots of the potential new Customer to connect to the Water System at the well site lot or the reservoir lot by way of a private water line owned by the new Customer, an extension of the water main(s) may be not be required.
2. Construction of additional or upgrading of existing:
 - a. Source(s) of supply (i.e., wells).
 - b. Reservoir(s).
 - c. Booster pump station(s).
3. Engineering, surveying and legal costs associated with construction of facilities necessary for serving additional connections, including the preparation of project report, utility easements and water system plan documents.
4. Engineering and hydrogeologist fees and cost to establish the safe withdrawal from the aquifer for the additional quantity of water need to serve additional parcels created by the additional parcels.
5. Regulatory agency fees and charges.
6. Applicable administration overhead charges as set forth in Section D and Section E.

The Purveyor (not the applicant for any proposed new Water Service) shall prepare and make all submissions to applicable regulatory authorities for approval to supply water and Water Services to the proposed new (additional) Customer, with all costs incurred by the Purveyor charged to the proposed new (additional) Customer.

Prior to any review by the Purveyor of a proposed expansion of the service area of the Water System or for the supply of water to the proposed subdivided parcels, the applicant shall enter into a written agreement with the Purveyor to bear the costs noted above on terms and conditions deemed necessary and sufficient by the Purveyor. The applicant shall pay a deposit to the Purveyor in the amount estimated by the Purveyor for the review of the application, including the cost of legal, engineering, accounting and other professional fees of the Purveyor, and for the preparation and submissions of all necessary documentation to regulatory authorities.

Any and all costs paid by the applicant to the Purveyor for the review of the application and submission to regulatory authorities shall not be refunded to the applicant should the regulatory approval for the Purveyor's request for the proposed expansion of the service area or the supply of water to the proposed subdivided lots or parcels requested by the applicant be denied or otherwise not approved, or should the applicant's project be cancelled, modified or denied by Island County or other administrative authority having jurisdiction.

H. TIMELY AND REASONABLE SERVICE

Applicants for Water Service shall be provided with service in a "timely and reasonable manner". The Public Water System Coordination Act defined "timely service" as 120 days. The Act does not specify at which point the 120-day period begins and ends. For these Water Service Policies, the 120-day time period shall be deemed to commence on the date that a complete *Application for Water Service and/or Water Share Assignment* is submitted to Purveyor (the time period in the wording recommended by the Washington State Department of Health). Where construction of a water main extension, pumping facility, and/or pressure reducing valve facility is needed to provide water service, or approval is needed from regulatory authorities as noted in Section G, the applicant shall be required to execute a water system extension agreement in form supplied by the Purveyor and the 120-day period shall start on the later of the following dates: (1) the date the water system extension agreement between the applicant and the Purveyor is executed by both parties, (2) the effective date of the water system extension agreement if different from the execution date or (3) the date of receipt by the Purveyor of all required regulatory approvals. The proposed Customer is hereby notified that a water system extension agreement submitted by the Purveyor may require that the plans for the design of any extension facilities and/or a water main extension be submitted before the 120-day period will begin and that this design period is considered the same for the applicant as the time period for the design of a new public water system. The 120-day period may be extended for reasons related to the Customer's construction activities as described in Section C.

I. SIZE AND LOCATION OF SERVICE AND METER

Water meter and service sizes shall conform to those prescribed by the American Water Works Inc. in the most current edition of "Sizing Water Service Mains & Meters" (AWWA M22), as published from time to time, with any interpretations of those standards to be made by the Purveyor. Regardless of type or use of service pipe and meter size, the Purveyor has the authority to modify the size of the meter or service pipe throughout the duration of a service. The meter shall be sized based on considerations of volume and rate of water use, fire safety, existing equipment requirements and other relevant criteria.

The Purveyor determines the location and orientation of the service pipe, usually perpendicular to the water main in the street or in a Purveyor owned easement area.

The service pipe and water meter shall be installed at a location determined by the Purveyor, but not within the Customer's driveway or entrance sidewalk or behind any fencing or landscaping that restricts the Purveyor's reading or maintenance of the meter and/or maintenance of the service pipe. The Customer is responsible for maintaining unrestricted access to the water meter for reading and maintenance.

The service pipe and water meter for those parcels external to Shangri-La Shores Divisions 1 and 2 shall be within the Shangri-La Shores divisions as specified in the 1992 Easement agreement described in the “Water Share” definition in Section A.

J. INSTALLATION STANDARDS

Water mains and services shall be installed in accordance with the Purveyor’s Standard Plans and Specifications included in the Purveyor’s *Water System Plan*, or *Small Water System Management Program* approved by the Washington State Department of Health or recent revision thereof. Where the Purveyor’s Standard Plans and Specifications do not have current Washington State Department of Health approval, any extension of the Water System to supply new Customers shall be contingent upon Washington State Department of Health approval of a Project Report submitted by the Purveyor’s engineer for extension of water mains and related work.

K. USE OF FIRE HYDRANTS

With prior approval of the Purveyor, water for construction may be obtained from designated fire hydrants provided the following equipment is provided and maintained by the applicant for such water:

- Water meter of a type approved by the Purveyor.
- Backflow prevention assembly of a type approved by the Purveyor and tested by a Washington State Department of Health certified backflow assembly tester (BAT) to demonstrate performance of the assembly.

Approval for use of a hydrant for construction water, or other purposes not related to fire fighting, shall be at the sole discretion of the Purveyor. Application for water use for construction or any use not related to firefighting shall be made on a form provided by the Purveyor that sets forth the conditions for Purveyor’s approval of the use of the hydrant.

L. WATER CONSERVATION

Water conservation is critical to the ongoing viability of the Water System, therefore, in order to reduce demands upon the Water System, all Customers shall limit outdoor water usage to the greatest extent reasonably possible, limiting lawn, turf and landscaping areas requiring irrigation, and limiting outside watering in the summer to early morning or late evening when evaporation is lowest. All parties are encouraged to use drip irrigation, hand watering, water saving fixtures within the home, and low water demand landscaping plants. The Water System is designed for single family dwelling use and such landscaping normally assigned to such dwelling. Any large scale agricultural water use shall not be permitted.

In response to drought, or other emergency conditions, the Purveyor’s *Mitigation Plan - Seawater Intrusion*, which specifies mandatory water conservation measures for all Customers, will be brought into effect with the following notifications:

- Board members will post flyers on every front door of those with a water hook-up. Sandwich boards will be posted at all entrance points to Shangri-La Shores.
- The President will send an email to the distribution list.
- A mailing will take place to all those with a water connection in the Shangri-La Shores, Inc. Water Service Area to verify notification. Within the mailing will be a copy of the Purveyor’s *Mitigation Plan - Seawater Intrusion*. A cover letter will remind customers the penalties should they not comply with the mitigation plan.

The first violation will result in a written notice delivered by certified mail to the property owner, and tenants if there are renters. The second violation will result in shut off of water with a written notification posted on the property’s front door and delivered by certified mail. Water Service will be reinstated on approval of the Board or on termination of the mitigation plan’s effectivity.

Should any Customer fail to repair leaks affecting the Water System within thirty (30) days of receipt of written notification of such leaks from the Purveyor, the Purveyor may have the Water Service to the affected lot or parcel of real property owned by the Customer shut off or may restrict the flow of water to said lot or parcel of real property by partially closing the service valve or by installing a restriction fitting, or by other means deemed appropriate, without further notice to the Customer until said leak is repaired.

Leaks discovered at vacant dwellings or other structures may be shut off at the meter immediately and a notice will be hung on the door of the vacant dwelling or other structure explaining the reason(s) for the shut-off. The Purveyor shall not be liable for any damage caused to any property of a Customer resulting from shutting off or failing to shut off any leaking water service to a vacant dwelling or other structure and/or from failing to notify a Customer of a suspected leak.

M. INCONSISTENT PRIOR POLICIES AND PROCEDURES SUPERSEDED

All prior and existing Purveyor resolutions, policies and procedures concerning the Water System are hereby modified, amended and superseded and are hereby replaced in their entirety in accordance with the policies and procedures set forth herein.

The invalidity or unenforceability of any provisions of these Policies shall not affect the validity or enforceability of any other provision of these Policies, which shall remain in full force and effect.

N. EFFECTIVE DATE

This resolution and the policies and procedures set forth herein shall be effective the execution date set forth below.

EXECUTED AS OF THIS 20th DAY of JULY, 2017 UNDER AUTHORITY OF A RESOLUTION OF THE BOARD OF TRUSTEES OF SHANGRI-LA SHORES, INC. ADOPTED BY UNANIMOUS CONSENT ON June 3, 2017.

SHANGRI-LA SHORES, INC. (Purveyor)

By:  7/25/2017
President

Exhibit A

SHANGRI-LA SHORES, INC.

**PO Box 248
Greenbank, WA 98253**

**APPLICATION FOR WATER SERVICE
and/or WATER SHARE ASSIGNMENT**

OWNER'S NAME(s): _____

TELEPHONE No(s): _____

MAILING ADDRESS: _____

E-MAIL ADDRESS: _____

REQUESTED IMPLEMENTION DATE: _____

PROPERTY ADDRESS: _____

LEGAL DESCRIPTION: _____

PROPOSED USE OF WATER SERVICE (check one):

Residential use of no more than the quantity of water normally used by a full-time single-family equivalent residential unit (ERU) as defined in Section A of these Water Service Policies..

Other. Describe type and scale: _____

The undersigned applicant(s) (herein "Applicant") hereby applies for Water Service and/or acknowledges that a Water Share has been assigned to the above-described real property. The Applicant hereby represents that Applicant is the true and record owner of the above-described real property. By signing this Application and as a condition of Shangri-La Shores, Inc. (herein sometimes referred to as the "Purveyor") accepting this Application and agreeing to provide Water Service to the above-described property when Purveyor has executed the Application below and returned the signed Application to Applicant, the Applicant hereby agrees to comply with all provisions of any and all applicable laws, ordinances, policies, rules and regulations governing the Purveyor's Water System that are now existing or that may be established and adopted from time to time hereafter by Resolution of the Board of Trustees of Shangri-La Shores, Inc., including but not limited to all provisions of the attached current Water Services Policies of Shangri-La Shores, Inc. and all subsequent revisions thereto that may be duly adopted by Resolution of the Board of Trustees of Shangri-La Shores, Inc. from time to time.

Without limiting the generality of the foregoing, the Applicant also specifically agrees, that upon the Purveyor's acceptance of this Application and Purveyor's execution of this Application confirming the agreement of the Purveyor to provide Water Service to the above-described property in accordance with the terms and conditions set forth in this Application:

- a) To install and maintain at all times any plumbing system located on the above-described property in compliance with the most current edition of the Island County Plumbing Code and other applicable codes, laws, ordinances and regulations of the Washington State Department of Health and Island County as said codes, laws, ordinances and regulations pertain to the prevention of potable water system contamination, prevention of pressure surges and thermal expansion in his water piping (for thermal expansion, it shall be assumed that a check valve is installed by the Purveyor on the water service pipe).
- b) Within 30 days of the Purveyor's request, to install, test, maintain, and repair in accordance with the Purveyor's cross connection control standards a reduced pressure backflow assembly or double check backflow assembly, or detector derivative thereof, on the Customer's service pipe immediately downstream of the Purveyor's meter, or other Purveyor approved location; and to report to the Purveyor within 30 days of obtaining the results of all tests and repairs to aforementioned backflow prevention assemblies, and of making any change to the plumbing system.
- c) Not to make a claim against the Purveyor or its agents, contractors, employees, officers or trustees for damages and/or loss of production, sales or service, in case of water pressure variations, or the disruption of the water supply resulting from Water System repair, routine maintenance, power outages, and other conditions normally expected in the operation of the Water System.
- d) To pay all water billing issued by Purveyor to the Applicant within thirty (30) days from the date of billing; and after forty-five (45) days of mailing a written notice by Purveyor to Applicant, any water bill shall be deemed delinquent, and that thereafter the Applicant shall be in breach of this agreement and the Purveyor shall be entitled to terminate Water Service to the real property described above.
- e) In the event that legal action is commenced between the parties to this Application to enforce the terms and conditions recited herein, the substantially prevailing party shall be entitled to reimbursement of all its costs and expenses including but not limited to reasonable attorney's fees.
- f) The invalidity or unenforceability of any provisions of this Application shall not affect the validity or enforceability of any other provision of this Application, which shall remain in full force and effect.

The undersigned Applicant acknowledges receipt of the attached Water Services Policies and other attached information noted below, agrees to the terms and conditions herein and therein, and hereby submits this Application to Purveyor for a Water Service at the location noted in accordance with all terms conditions and agreements that are set forth, referenced or described above.

Applicant's Signature

Date

Applicant's Signature

Date

Attachments provided to Applicant: (1) Current *Water Service Policies*, (2) Purveyor's current *Schedule of Water Rates and Charges* and (3) other Water Service Connection information, if applicable.

Acceptance of Application by Shangri-La Shores, Inc.:

By: _____

Date: _____

Title: _____