

LANAI WATER COMPANY, INC
RULES AND REGULATIONS
COVERING THE PROVISION OF
NON-POTABLE WATER

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FOREWORD

These Rules and Regulations have been adopted to establish uniform practices governing Non-Potable Water Service and to define the obligations of the Company to Customers and of Customers to the Company.

It is the policy of the Company to render adequate and satisfactory service to all Customers and encourage courtesy to the public by all its employees.

The Company's service area on the island of Lana'i, Hawaii, as shown on the map attached hereto as Exhibit B.

SYMBOLS

When a change in tariff sheet is filed with the Commission, attention shall be directed to such change by a symbol along the right-hand margin of the tariff sheet utilizing the following symbols as appropriate:

- (C) To signify change in wording of text which may result in change in rate, rule or condition.
- (D) To signify a discontinued rate or regulation.
- (I) To signify increase.
- (L) To signify materials relocated from or to another part of tariff schedules with no change in text, rate, rule or condition.
- (N) To signify new materials including listing, rate, rule or condition.
- (R) To signify reduction.
- (T) To signify change in wording to text but not change in rate, rule or condition.

RULE I DEFINITIONS

For the purpose of these Rules and Regulations, the following words and terms as used herein shall mean:

1. The word "Company" shall mean the LANAI WATER COMPANY, INC., a Hawaii corporation.
2. "Company Non-Potable Water System" means the network of pipelines and other appurtenances which furnish a supply of non-potable water to the consumer and which is owned, operated, and maintained by the Company.
3. The word "consumer" shall mean the person, firm, corporation, association, or governmental department, whether owner or tenant, whose name appears on the records of the Company as the party responsible and liable for receiving non-potable water service from the Company.
4. The term "Consumer's Supply Pipe" shall mean the pipe extending from the consumer's end of the "Service Connection."
5. The term "Cost of Service Connection" shall mean the sum of the cost of the labor, materials, meter box, transportation equipment, and road repair, if any, and other incidental charges necessary for the complete installation of a service connection, including the cost of the meter.
6. The word(s) "Main" or "Main Pipe" shall mean the Company's supply or distribution pipe from which service connections are made.
7. The term "non-potable water" refers to untreated water used for irrigation and other non-potable purposes within the service area.
8. The term "Public Utilities Commission," "Commission" and "PUC" shall mean the Public Utilities Commission of the State of Hawaii.
9. The term "Service Connection" shall mean the main tap, pipe, fittings, and valves and appurtenances, from the non-potable water main to and including the meter.

RULE II
GENERAL CONDITIONS

1. Any prospective consumer whose premises are within the service area identified in paragraph 4 of this rule and which are adjacent to a distributing main, may obtain non-potable water service, where pressure conditions permit, provided that the Company has a sufficient non-potable water supply developed for irrigation purposes, to take on new or additional service without detriment to those already served and provided that the consumer otherwise agrees to abide by these rules and regulations.
2. All non-potable water supplied by the Company will be measured by means of suitable meters registering in gallons. When it is impractical to meter the service, a flat rate may be charged. The amounts to be paid for non-potable water service shall be in accordance with the rates on file with the Public Utilities Commission of the State of Hawaii. The Company will determine the location and size of all meters and service connections to its system. All service connections shall become the property of the Company for operation and maintenance after installation and new connections or disconnections may be made thereto by the Company at any time.
3. Where an extension of mains is necessary or where large quantities of non-potable water are required or a substantial investment is necessary to provide service, before non-potable water service may be approved, the consumer will be informed by the Company as to the conditions and charges to be made for the various areas and situations, as on file with the Public Utilities Commission of the State of Hawaii, such that non-potable water can be delivered in adequate quantities and pressures for irrigation uses under peak conditions.
4. The Company shall provide non-potable water services in the areas listed and identified on the map attached as Exhibit B.
5. Billing, payment of bills, and late payment charges for Non-Potable Water Service shall be in accordance with these Rules and Regulations.
6. The effective date of these Rules and Regulations and the rates and charges described herein is the date the Public Utilities Commission grants approval for same.

RULE III
CONSERVATION MEASURES, INTERRUPTION OF
NON-POTABLE WATER SUPPLY, SUITABILITY OF
NON-POTABLE WATER SUPPLY AND PRESSURE CONDITIONS

1. The Company will exercise reasonable diligence and care to deliver an adequate supply of non-potable water to the consumer and to avoid shortages or interruptions in non-potable water service. The Company will not be liable for any interruption, shortage, insufficiency of supply, lack of or excessive pressure, termination of non-potable water service without notice for conservation measures and for other reasons deemed necessary and proper, or for any loss or damage occasioned thereby. The Company will not be liable for temporary colored or turbid water conditions caused by emergency repair of water mains and other circumstances or acts of God beyond the Company's control.
2. Whenever, in the Company's opinion, special conservation measures are advisable in order to forestall non-potable water shortage and a consequent emergency, the Company may restrict the use of non-potable water by any reasonable method of control.
3. The Company reserves the right at any and all times to shut off non-potable water from the mains without notice for the purpose of making repairs, extensions, alterations, or for other reasons. Consumers depending upon a continuous supply of non-potable water shall provide emergency exclusive dedicated non-potable water storage and any check valves or other devices necessary for the protection of plumbing or fixtures against failure of the pressure or supply of non-potable water in the Company's mains. Repairs or improvements will be prosecuted as rapidly as practicable and, insofar as practicable, at such times as will cause the least inconvenience to the consumer.
4. When the pressure of the Company's supply fluctuates or is higher than that for which individual fixtures are designed, the consumer shall protect such fixtures by installing and maintaining pressure reducing and relief valves. The Company will not be liable for damage due to pressure conditions or caused by or arising from the failure or defective condition of such pressure regulators and relief valves or for damage that may occur through the installation, maintenance, or use of such equipment.
5. When required by the Company, the consumer shall install an air gap or other protective devices between the consumer's supply pipe and the service connection.
6. The company will not accept responsibility to maintain pressure in its non-potable water mains.

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RULE IV
APPLICATION FOR NON-POTABLE WATER SERVICE
AND SERVICE CONNECTION

1. Each prospective consumer will be required to sign and mail to the Company the standard application form for the non-potable water service desired, assuming responsibility for the payment of future charges for non-potable water service at the designated location, before non-potable water is turned on. The person signing the application form shall be liable for the payment of all charges for non-potable water and non-potable water service at the designated location. The application form shall require the following information:

- (a) Name of Applicant.
- (b) Location of premises to be served.
- (c) Date Applicant will be ready for service.
- (d) Whether the premises have been previously supplied.
- (e) Purpose for which service is to be used, with description of equipment.
- (f) Whether Applicant is fee owner or ground lessee of premises.
- (g) Mailing address.
- (h) Business address.
- (i) Occupation.
- (j) Reference(s) as requested.
- (k) Such other information as the Company may reasonably require.
- (l) Applicant's signature and date; and
- (m) Date and signature of Company's employee or representative approving the application.

Any user of the Company's services, irrespective of whether or not they have signed an application for service, shall comply with the Rules and Regulations and the rate schedules of the Company.

The application is merely a request for service and does not bind the Company to serve except under conditions and provisions of these Rules and Regulations.

Service may be granted only to property owners or to those tenants of any owner having leases with at least a one-year term. Service may be provided to tenants of any lessee or owner if the lessee or owner will guarantee the tenant's service charge and co-sign the application for non-potable water service.

If a tenant is responsible for and fails to pay non-potable water bills rendered, the landlord, who co-signed the application for non-potable water, shall pay such bills and in the event of his failure to do so, the Company may refuse service until the outstanding bills are paid.

2. Charges will begin when the non-potable water service is established and will continue until due notification from the consumer or until discontinued by the Company for failure of the consumer to comply with the Rules and Regulations.

3. When an application for non-potable water service is made by a consumer who was responsible for and failed to pay all bills previously rendered by the Company, the Company may refuse to furnish non-potable water service to such applicant until the outstanding bills are paid.

4. A person taking possession of property and using non-potable water without having made application to the Company for non-potable water service to such property, shall be held liable for the non-potable water delivered from the date of the last recorded meter reading. If proper application for non-potable water service is not made upon notification to do so by the Company and if accumulated bills for non-potable water service are not paid upon presentation, the non-potable water service shall be subject to discontinuance without further notice.

5. A consumer, prior to making any material change in the size, character, or extent of the equipment or operations for which the Company's service is utilized, shall give the Company written notice of the extent and nature of the change not less than 10 days before the change is made.

RULE V
ESTABLISHMENT AND REESTABLISHMENT OF CREDITS AND DEPOSITS

1. ESTABLISHMENT OF CREDIT. Each applicant for service will be required to establish credit in one of the following ways before service will be rendered:

- (a) Establish a record of prompt payment for service for twelve (12) consecutive months without having been disconnected for nonpayment during such period.
- (b) Have a substantial equity in the premises or service location to be served, or in other real estate located within the Company's area of service of substantial value in relation to charges for service to be rendered.
- (c) Furnish a guarantor satisfactory to the Company to secure payment of bills for the service requested.
- (d) Make a cash deposit to secure payment of bills for service to be furnished by the Company, as provided in paragraph 3 of this rule.

2. REESTABLISHMENT OF CREDIT.

- (a) An applicant who previously has been a consumer of the company and whose service has been discontinued for nonpayment of bills shall be required, before service is rendered, to pay all amounts owing to the Company and to establish credit as provided in paragraph 1 of this rule.
- (b) A consumer may be required to reestablish his credit in the manner prescribed in paragraph 1 of this rule in case the basis on which credit was originally established has materially changed.

3. DEPOSITS. Unless waived, the amount of the deposit required under this rule shall be \$500.

4. INTEREST ON DEPOSITS. Simple interest at the rate of two percent (2%) per annum shall be paid by the Company on standard Customer deposits described in paragraph 3 of this rule for the time it is held by the Company after credit is established. If the refund of deposit is made within 30 days of the establishment of credit, no interest payment is required. If the Company retains the deposit more than 30 days after the establishment of credit, payment of interest shall be made retroactive to the date of establishment of credit.

5. REFUNDS.

- (a) Upon discontinuance of service, the Company will refund the excess, if any, of a Customer's deposit over all unpaid sums due from the Customer to the Company for Sewer Service or otherwise.
- (b) A deposit is refundable in cash or by credit to the Customer's account when bills are paid before becoming past due for a continuous period of at least twelve months.
- (c) The Company may refund the deposit at any time upon request, provided that the Customer's credit may otherwise be established as provided in paragraph 1 of this rule.
- (d) The Company may require the Customer to return the Company's deposit receipt properly endorsed or sign a cancellation receipt before the refund is made.

RULE VI
CONNECTIONS AND CUTOFFS

1. INSTALLATION. When the application for a service connection and non-potable water service has been approved by the Company, such connection will be installed by the Company, unless the Company directs otherwise, and at the expense of the applicant, and thereafter will be maintained by the Company at its expense. There shall be one meter for each service connection, unless the Company, because of operating necessity, requires installation of two or more meters in parallel. All meters will be sealed before installation and no seal shall be altered or broken except by one of the Company's authorized agents, employees, or representatives. The stop-cock valve, before the meter, is installed for the sole use of the employees of the Company. All service connections shall become the property of the Company for its operation and maintenance after installation, and new connections or disconnection may be made thereto by the Company at any time. Before non-potable water service is provided through the new service connection, inspection and approval of the service connection by an authorized agent, employee, or representative of the Company is required.
2. CONNECTION CHARGE. If the Company in its sole discretion deems it necessary under the circumstances, in cases where the service connection is to be installed by the applicant, a charge equal to the Company's estimate of the cost of inspection of the service connection and the sealed meter, but in no case less than \$500.00, will be paid by the applicant to the Company before the connection is installed. If the actual cost of inspection is in excess of the payment, the applicant will be billed and shall pay for the difference. In all cases where the Company elects to install the service connection, the applicant will be billed for the actual cost of the service connection. In the event that a meter box is required, the consumer shall be responsible for construction of the meter box in accordance with the Company's standards.
3. CONSUMER'S SUPPLY PIPE. The consumer shall install and connect at his expense his supply pipe to the shut-off valve installed by the Company. The consumer's supply pipe shall at all times remain the sole property of the consumer, who shall be responsible for its maintenance and repair. If the consumer's supply pipe is installed before the service connection is set, the Company will not be responsible for the connection to it.
4. LOCATION OF SERVICE CONNECTION OR MAIN. The Company will determine the location and size of all service connections to its systems. No service connection or non-potable water main will be installed by the Company in any private road, lane, street, alley, court or place, until such private streets are open to the public and brought to proper grade and unless the Company is given proper easements or other rights satisfactory to the Company for the main or service connection. Otherwise, an applicant desiring non-potable water service to property fronting on such private roads, lanes, etc., must extend his supply pipe to the nearest public street on which a main exists.

5. PIPE THROUGH WALL. Where the applicant requires his supply pipe extended through a wall, he shall provide the entranceway through such wall and be responsible for the service connection. The Company will not be responsible for any damage caused by leakage through or inside such entranceway.
6. CONNECTION TO MAIN. Connection or disconnection of any service connection to or from the Company's main shall be done solely pursuant to and in accordance with the written authority of the Company.
7. COMPENSATION. Employees of the Company are strictly forbidden to demand or accept personal compensation from consumers for services rendered.
8. LOCATION OF METERS. All meters shall be installed in locations approved by the Company. Consumers are prohibited from using the valve or stopcock between the main and the meter.
9. CHANGE IN LOCATION OR SIZE OF SERVICE CONNECTION. When the proper size of service connection for any premises or service location or agricultural operation has been determined and the installation has been made the Company has fulfilled any obligations which it may have insofar as the size of the service connection and the location thereof are concerned. If thereafter the consumer desires a change in size of the service connection or a change in the location thereof, he shall bear all costs of such change.
10. SHUT-OFF VALVE. Readily accessible shut-off valve controlling all outlets will be installed by Company, unless the Company directs otherwise, on the consumer's supply pipe at a location to be determined by the Company. If a replacement of the shut-off valve is necessary it shall be installed by the Company, unless the Company directs otherwise, and shall be paid for by the consumer.
11. ALTERATION TO WATER SYSTEM. All work and materials in connection with the change in location or elevation or alteration of any kind to any part of the existing non-potable water system made necessary by a new service connection shall be done and furnished by the Company at the expense of the applicant.
12. SIZE OF METER SERVICE CONNECTION. The Company will determine the location and size of all meters and service connections to its system. The Company also reserves the right to limit the number of houses or buildings and/or the area of land to be supplied by one service connection.
13. OVERRANGING METERS. When it is determined by the Company that additional non-potable water usage within the premises or service location has increased the flow of the

non-potable water through the meter above the safe rated capacity of the meter thereby causing undue wear and tear of the meter, the Company shall require the consumer to increase the size of the meter or to install additional meter or meters at the expense of the consumer.

RULE VII
METER READING

1. METER READING. Meters will be read and bills rendered on a bi-monthly (i.e., a two-month billing cycle) basis. Special readings will be made, when necessary, for closing of accounts or for other reasons. If a meter cannot be read, an estimated bill will be rendered, said bill to be calculated whenever possible on prior consumption.
2. READINGS OF SEPARATE METERS NOT COMBINED. For the purpose of computing charges, all meters serving the consumer's premises or service location shall be considered separately, and the readings thereof shall not be combined except in cases where the Company, because of operating necessity, installs two or more meters in parallel to serve the same customer's supply pipe.

**RULE VIII
PAYMENT OF BILLS**

1. BILLS. All bills shall be due and payable within 30 days after deposit in the United States mail or presentation to the consumer. Payment shall be made at the office of the Company or, at the Company's option, to duly authorized collectors of the Company. Any bill which is not paid within 30 days after deposit in the United States mail or presentation to the consumer shall be deemed delinquent, and the non-potable water service shall be subject to discontinuance without further notice.
2. LATE PAYMENT CHARGE. In case charges are not paid prior to the due date, there shall be added as a late payment charge an amount equal to 1% per month of the delinquent balance. A service fee for handling a dishonored check shall be \$30.00 or the maximum permitted by law whichever is higher.
3. NON-REGISTERING METERS. If a meter fails to register due to any cause except the non-use of non-potable water, an average bill may be rendered to the consumer. Such average bill will be subject to equitable adjustment taking into account all factors before, during, and after the period of said bill.
4. DISHONORED CHECKS. A service fee of \$20.00 may be imposed by the Company on all dishonored checks.
5. ATTORNEY'S FEES AND COSTS. If a Customer fails to pay the Sewer Service charges or water charges as provided herein, the Company may engage the service of an attorney or other collection agent to collect such charges. The Customer shall pay all collection charges, including all fees and costs of the attorney, whether or not a lawsuit is filed.
6. DISPUTED BILLS. The Customer shall submit any dispute regarding the charges appearing on the bill to the Company in writing no later than twenty (20) days following the due date for the bill. The Company shall furnish a written response regarding its investigation and determination as to the correctness of, or any adjustments to, the bill within twenty (20) days of its receipt of the written dispute. Notwithstanding any such dispute, the Customer shall pay the disputed bill, under protest, within the time required by Section 6.1 to avoid discontinuation of service. In the event that the Company and the Customer cannot resolve the dispute within thirty (30) days after the notice of the dispute has been received by the Company, the Company, in its sole discretion, may submit this dispute to a single arbitrator within the State of Hawaii for final determination in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Should the matter be submitted to arbitration by the Company, the award of the arbitrator shall be binding upon the parties and the judgment on the award rendered by the arbitrator may be entered in any court of competent jurisdiction. The arbitrator is authorized to

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award any prevailing party, as determined by the arbitrator, such sums as shall be deemed proper for the time, expense, and trouble of litigation or arbitration, including arbitration fees, arbitrator fees, and attorneys' fees and costs.

RULE IX

METER TESTS AND ADJUSTMENT OF BILLS FOR METER INACCURACY

1. METER TESTS. A consumer who, for any reason, doubts the accuracy of the meter servicing his premises or service location may request a test of the meter. The consumer, if he so requests, will be notified as to the time of the test and may witness the test if he so desires. No charge will be made for meter tests if the meter is inaccurate. The consumer will be charged the actual costs connected with such a test if the meter is accurate within a range of plus or minus five percent.

2. ADJUSTMENT OF BILLS FOR METER INACCURACY. If, as a result of a meter test, the meter is found to register more than five percent fast under conditions of normal operation, the Company will refund to the consumer the overcharge based on past consumption, for a period not exceeding six months unless it can be proved that the error was due to some cause, the date of which can be fixed, in which event the overcharge shall be computed back to such date. If, as the result of a meter test, the meter is found to register more than five percent slow under conditions of normal operation, the Company will bill the consumer the undercharge based on past consumption, for a period not exceeding six months, unless it can be proved that the error was due to some cause, the date of which can be fixed, in which event the additional charge shall be computed back to such date.

RULE X
DISCONTINUANCE OF SERVICE

1. Non-potable water service may be discontinued for the reasons listed below:
 - (a) NONPAYMENT OF BILLS. Non-potable water service may be discontinued for nonpayment of any bill within the period prescribed in these Rules and Regulations.
 - (b) NONCOMPLIANCE WITH THE COMPANY'S RULES AND REGULATIONS. If the consumer fails to comply with any of these Rules and Regulations, or tampers with the service facilities of the Company, the Company reserves the right to discontinue the service within five days after written notice of intent to do so.
 - (c) UNAUTHORIZED USE OF NON-POTABLE WATER. The Company will refuse or discontinue non-potable water service, without notice, to protect itself against fraud, abuse, or unauthorized use of non-potable water.
 - (d) WASTEFUL USE OF NON-POTABLE WATER. Where negligent or wasteful use of non-potable water exists on any premises or service location, the Company may discontinue the service if such conditions are not corrected within five days after written notice to the consumer of intent to do so.

2. Each consumer about to vacate any premises or service location supplied with non-potable water by the Company shall give notice of his intention to vacate prior thereto, specifying the date service should be discontinued; otherwise, he shall be held responsible for all non-potable water service furnished to such premises or service location until the Company has received such notice of discontinuance. Before buildings are demolished, the Company shall be notified so the service connection can be closed.

RULE XI
COMPANY'S EQUIPMENT ON CONSUMER'S PREMISES OR SERVICE LOCATION

All equipment belonging to the Company and installed upon the consumer's premises or service location for measurement, test, check, or any other purpose shall continue to be the property of the Company, and may be repaired, replaced, or removed by the Company at any time without the consent of the consumer. The consumer shall exercise reasonable care to prevent damage to meters and other equipment of the company upon the consumer's premises or service location and shall in no way interfere with the operation of the same.

RULE XII
DAMAGE AND ACCESSIBILITY TO COMPANY'S PROPERTY, METER DAMAGE

1. LIABILITY FOR REPAIR COSTS. The consumer shall be liable for any damage to a meter or other equipment or property of the Company caused by the consumer or his tenants, agents, employees, contractors, licensees, or permittees, on the consumer's premises or service location, and the Company shall be promptly reimbursed by the consumer for any such damage upon presentation of a bill therefore. Any damage to Company facilities shall be reported as soon as possible. In the event settlement for such damage is not promptly made, the Company reserves the right to discontinue non-potable water service to such remises.

2. OBSTRUCTIONS. No obstruction shall be placed on or around any non-potable water meter or valve so as to render it inaccessible.

RULE XIII
RELIEF VALVES

Whenever a check valve or pressure reducing valve is installed on the consumer's non-potable water supply line between the main and non-potable water storage tank, there shall be installed on the consumer's non-potable water distributing system a suitable pressure relief valve.

RULE XIV
RESPONSIBILITY FOR WATER RECEIVING EQUIPMENT

1. CONSUMER RESPONSIBILITY. The consumer shall, at his own risk and expense, furnish, install, and keep in good and safe condition all equipment that may be required for receiving, controlling, applying, and utilizing non-potable water supplied by the Company. The Company shall not be responsible for any loss or damage caused by the improper installation of such equipment, or the negligence, want of proper care, or wrongful act of the consumer or any of his tenants, agents, employees, contractors, licensees, or permittees, in installing, maintaining, using, operating, or interfering with such equipment.

2. UNCONTROLLED FLOW. The Company will not be responsible for any loss or damage caused by spigots, faucet valves, and other equipment that may be open when non-potable water is turned on at the meter, either when turned on originally or when turned on after a temporary shutdown.

RULE XV
CONSUMER'S PUMPING INSTALLATIONS

1. PUMPING DIRECTLY FROM COMPANY PIPELINES. Consumers shall not be permitted to install or operate pumps pumping non-potable water directly from the mains of the Company's system except in cases approved in writing prior to such pumping. No such approval will be given in cases where it is the opinion of the Company that such an installation and the operation thereof may adversely affect the non-potable water service extended by the Company to other consumers.
2. PUMP PRIMING CONNECTION. No pump shall be equipped with a direct non-potable water supply connection for priming purposes except with the written permission of the Company.
3. PRESSURE REGULATION REQUIRED OF CONSUMER. As a protection to the consumer's plumbing system a suitable pressure relief valve must be installed and maintained by him at his expense when backflow devices are installed on the consumer's side of the meter.
4. LOCATION AND INSPECTION OF PROTECTIVE DEVICES. Any device installed for the prevention of backflow, as may be required under these Rules and Regulations, shall (unless the Company approves otherwise in writing) be located above ground and in such a manner as to be safe from flooding or submergence in water or other liquids, properly protected from external damage, freely accessible and with adequate working room for inspections, testing, and repairing.

All such devices shall be tested by owner at least once every fourth month and inspected internally not less than once annually. Repairs and replacements of parts, shall be made immediately at the expense of the consumer. Making of tests and annual inspections shall be the responsibility of the consumer and shall be made by the consumer or other qualified person or persons in accordance with methods acceptable to the Company. Records of tests and inspection shall be made on forms prescribed by the Company and a copy of such records shall be furnished to the Company. Failure of the consumer to make the proper tests and submission of records may, at the option of the Company, result in the Company making the tests, needed repairs and replacements and charging the costs thereof to the consumer.

RULE XVI
PROHIBITION OF CROSS CONNECTIONS AND INSTALLATIONS

1. **NO CROSS-CONNECTION.** In order to provide proper sanitary protection to the Company's potable water supply and to comply with the applicable regulations of the United States Public Health Service, or other federal agencies and of the State Department of Health, as adopted or amended from time to time, no cross-connections with other water supplies, including the non-potable irrigation supply, or other physical connections, shall exist, or be installed, located, maintained, or operated which could permit backflow of contaminated non-potable water or any other dangerous, impure, unsanitary, or non-potable substance from the consumer's premises or service location into the Company's potable water system.
2. **AFFIDAVIT OF COMPLIANCE.** Upon request of the Company, the consumer shall present an affidavit either certifying to the fact that there are no connections or other installations of the type prohibited in this rule on his premises or service location or describing in detail all non-conforming connections or installations.
3. **DISCONTINUANCE OF SERVICE FOR NON-COMPLIANCE.** Failure on the part of the consumer to comply with the Company's requirements relative to cross-connections and backflow protection, will be sufficient reason for discontinuing service until such time as the requirements have been met.

RULE XVII
ABATEMENT OF NOISES

Where it has been determined that noises emanating from a consumer's premises or service location are caused by plumbing fixtures or other equipment attached to non-potable water pipes and such noises are being transmitted through the non-potable water pipes and causing annoyance to other consumers, the Company may issue a notice in writing to the offending consumer or to the owner of such premises or service location, or to his agent, giving reasonable time within which to correct or to remove the cause of complaint. Failure on the part of such consumer, owner, or person responsible to correct or remove the cause of the noise will be sufficient reason for discontinuance of non-potable water service to the consumer until such time as the condition complained of has been remedied.

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Senior Vice President – Finance & Treasurer

RULE XVIII
ELECTRICAL GROUNDING

1. Protective grounding of alternating current secondary distribution circuits made to the non-potable water system shall be subject to the following conditions:
 - (a) The grounding installation shall conform in all details with the National Electrical Code of the National Board of Fire underwriters and with the building code of the County of Maui. The Company shall not be responsible for any damage or injuries caused by any electrical grounding.
 - (b) The installation of the bonding jumper around the meter or where required by the said codes shall be the responsibility of the installer of the grounding connection. The bonding jumper shall be installed in such a manner as not to interfere with the installation or removal of any of the Company's facilities.
2. No grounding of direct current system to any portion of the non-potable water system shall be permitted.
3. No grounding other than as provided in paragraph 1 to any portion of the non-potable water system without the Company's written approval hereof shall be made.
4. The Company will not be responsible for the maintaining of a continuous metallic non-potable water piping system and reserves the right, without liability to public utility electric companies, electric consumers, or any other agency or individual, to create a physical break in its service connections and mains, or to incorporate non-metallic pipes and appurtenances in its system and to make joints of any materials, without regard to their efficiency as conductors of electricity and without giving notice.
5. Whenever grounding fault occurs and causes electrical current to flow into the pipeline system, the consumer shall have the corrections made immediately. Corrections not made will be subject to discontinuance of after service to the consumer.

RULE XIX
RESALE OF NON-POTABLE WATER

Unless specifically agreed upon by the Company in writing, the consumer shall not resell any non-potable water received by him from the Company.

RULE XX
RESTORATION OF NON-POTABLE WATER SERVICE

If the Company in its sole discretion deems it necessary under the circumstances, a charge equal to the Company's estimate of the cost to restore non-potable water service, but in no case less than \$100. If the actual cost of restoration of non-potable water service is in excess of the payment, the customer will be billed and shall pay for the difference. If the actual cost is less than the payment, the customer will be refunded the difference.

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RULE XXI
INGRESS TO AND EGRESS FROM CONSUMER'S PREMISES
OR SERVICE LOCATION

Any authorized officer, employee, agent, or representative of the Company bearing proper credentials and identification shall have the right of ingress to and egress from the consumer's premises or service location at all reasonable hours for any purpose reasonably connected with the furnishing of non-potable water or other service to said premises or service location and the exercise of any and all rights secured to it by law or these Rules and Regulations. In case any such person is refused admittance to any premises or service location, or being admitted shall be hindered or prevented from carrying out his duties, the Company may cause the non-potable water to be turned off to said premises or service location after giving 24 hours notice to the owner or occupant of said premises or service location of its intention to do so.

RULE XXII
NON-POTABLE WATER SERVICE

1. SERVICE OVERVIEW.

(a) It is the Company's goal to provide non-potable water to consumers. The Company recognizes that non-potable water is a valuable resource and shall strive to promote conservation and wise use of non-potable water.

(b) The consumer's lots will be serviced by a non-potable water distribution system for irrigation and non-potable purposes only and not for consumer consumption. It is general knowledge in Hawaii that non-potable water may contain contaminants and people should not drink such non-potable water. There could be contaminants in the non-potable water or the Company's non-potable water system that if consumed may cause illness or death.

(c) No consumers will be served by the non-potable water system until the water mains and laterals necessary for the consumer's service are completed and connected to the central source and supply of non-potable water.

(d) Use of the non-potable water system is for irrigation and other non-potable water uses only. It is very important that users of the non-potable water system understand the potential dangers of misuses of the non-potable water system. Non-potable water is not fit for human consumption. A system constructed for the use of non-potable water on private property must be designed to absolutely eliminate the possibility of unintentional human consumption.

(e) All consumers must ensure that no cross-connections between the potable and non-potable water lines occur on private lands.

(f) Reduced-pressure backflow preventers installed directly after meters at the street edge of the service property will be required on both the potable and non-potable system.

(g) The Company reserves its right to inspect the non-potable system installed on private lots. Inspections may include the following: checking the backflow preventers, the use of color-coded equipment, separation of potable and non-potable systems, and the type of non-potable systems used.

(h) All consumers will be required to pay a one-time charge for the installation of an irrigation water meter. The charge will vary according to the size of the meter requested by the customer.

2. GUIDELINES FOR USE OF IRRIGATION WATER INFRASTRUCTURE IN DISTRIBUTION SYSTEM.

(a) Top of Pipe. The top of the pipe will be a minimum of thirty-six inches (36") below the finished street grade.

(b) Crossed lines. Non-potable water lines will cross a minimum of one foot (1') below potable water lines (i.e., minimum 12-inch clearance between bottom of potable water line and top of non-potable water line).

(c) Drain Assembly. Either an in-line type or end-of-line type blow-off or drain assembly will be installed.

(d) Storage Facilities. All storage facilities will be identified by signs containing the words:

CAUTION: NON-POTABLE WATER–DO NOT DRINK

[-or-]

CAUTION: RECLAIMED WATER–DO NOT DRINK]

The signs will include the universal symbol for "do not drink," and will have a purple background (Pantone 512) with high-contrast color lettering.

(e) Warning Signs and Labels. Where non-potable water is contained in an impoundment, warning signs will be installed to notify that the water in the impoundment is unsafe to drink. A detailed plan will be prepared showing placement and spacing of the proposed signs. Where non-potable water is used for irrigation, warning signs will be installed. As a minimum, warning signs will contain half-inch, (1/2") black or white letters on a purple (Pantone 512) background notifying the public that the water is unsafe to drink.

Warning signs and labels will read:

CAUTION: NON-POTABLE WATER–DO NOT DRINK

[-or-]

CAUTION: RECLAIMED WATER–DO NOT DRINK]

The signs will include the universal symbol for "do not drink."

(f) Identifying Marks.

(i) Buried Non-potable Distribution Piping. All buried distribution piping in the non-potable water system, including service lines, valves and other appurtenances will either be colored purple (Pantone 522) and embossed, or will be integrally stamped/marked,

CAUTION: NON-POTABLE WATER–DO NOT DRINK

[-or-

CAUTION: RECLAIMED WATER–DO NOT DRINK]

-or-

be installed with a purple identification tape or a purple polyethylene vinyl wrap (color to be Pantone 522).

(ii) Identification Tape. Identification tape will be prepared with white or black printing on a purple field (color to be Pantone 512) having the words,

CAUTION: NON-POTABLE WATER–DO NOT DRINK

[-or-

CAUTION: RECLAIMED WATER–DO NOT DRINK]

The overall width of the tape will be at least three inches (3").

(g) Specific Provisions. Some restrictions are placed on the operation of non-potable water systems as a matter of good practice and to protect public health.

(i) Runoff Conditions. Conditions that directly or indirectly cause a runoff outside of the approved use area are prohibited.

(ii) Ponding Conditions. Conditions that directly or indirectly cause ponding outside of or within the approved use area are prohibited.

(iii) Overspray Conditions. Conditions that directly or indirectly permit windblown spray or overspray to pass outside of the approved use are prohibited.

(iv) Cross-Connection. Cross-connections resulting from the use of a non-potable water service, whether by design, construction practice, or system operations, shall be prohibited.

(v) Hose Bibbs. Hose bibs on non-potable water systems will be prohibited.

3. NON-POTABLE WATER SYSTEMS ON PRIVATE LANDS.

(a) Hose Bibbs. Hose bibs will not be allowed on non-potable irrigation systems.

(b) Cross-Connection. Separation of the potable and non-potable systems shall be maintained to prevent cross-connections.

(c) Color-Coded Equipment. All meters, meter covers, valves, valve boxes, and pop-up heads installed in a non-potable irrigation system shall be color-coded purple (Pantone 512) so as to differentiate the non-potable from the potable water systems.

(d) Hoses. No hoses will be allowed to hook up to the non-potable irrigation water system.

(e) Backflow Protection. Backflow protection with an approved air gap (HG) will be required on all potable and non-potable systems. Backflow preventers shall be installed immediately after the meter at the street edge of the serviced property.

(f) Maintenance of System and Inspection. It is the responsibility of the individual property owner to ensure that all best practices are observed in the installation and operation of the non-potable water system. The non-potable irrigation water system installed on private lots may be inspected by the Company at any times.

4. NON-POTABLE WATER QUALITY. No claim is made as to the suitability of the non-potable water for the irrigation of specific crops. The Company assumes no liability for the changing characteristics of the non-potable water or damage to crop or irrigation systems caused by the non-potable water.

5. NON-POTABLE WATER QUANTITY. The Company will use all reasonable means for providing a uniform and adequate supply and distributing it in an equitable manner but cannot be held liable for damage to crops associated with inadequacies in supply.

6. DAMAGE TO MAINLINES AND VALVES. All irrigation systems will be operated in such a manner as not to cause damage or accelerated wear on mainlines, valves, and other devices in the Company's system. This is related to, but not limited to, the use of slow closing valves which in the opinion of the Company limit peak non-potable water hammer pressures to acceptable valves. Any damage to the Company's system caused by the operation of the irrigation system or by general farming operations near the facility will be repaired by the Company and paid for by the individual or organization responsible for the damage.

7. VIOLATION OF RULES AND REGULATIONS; DISCONNECTION OF SERVICE.

The Company may shut off water immediately and disconnect services when it believes any consumer is not abiding by these Rules and Regulations, or in any way risking the health of system users. All owners of property must be sure all tenants and people that are using the land are made aware of the risks of the dual water system to ensure the non-potable water is not consumed by humans.

RULE XXIII
MISCELLANEOUS

1. **SEVERABILITY.** If any rule, section, sentence, clause, or phrase of these Rules and Regulations or its application to any person or circumstance or property is held to be unconstitutional or invalid, the remaining portions of these Rules and Regulations or the application of these Rules and Regulations to other persons or circumstances or property shall not be affected. The Company hereby declares that it would have adopted these Rules and Regulations, and each and every rule, section, sentence, clause, or phrase thereof, irrespective of the fact that any one or more other rules, sections, sentences, clauses, or phrases be declared unconstitutional or invalid.
2. **GOVERNING LAW.** These Rules and Regulations are made under and shall be governed by the laws of the State of Hawaii.
3. **NOTICE.** All notices, demands or documents which are required or permitted to be given or served hereunder shall be in writing and sent by first class or certified mail, postage prepaid or by hand delivery to the address of the party as set forth in the Application. The parties' addresses may be changed from time to time by serving notice to the other party as provided above. Service of such notice or demand shall be deemed complete on the day of actual delivery or at the expiration of the second day after the date of mailing whichever is earlier.
4. **TIME IS OF THE ESSENCE.** Time is of the essence in any performance required by the Customer under these Rules and Regulations. Any delay in performance will be considered material.

EXHIBIT A
NON-POTABLE WATER RATE SERVICE

User Charge (2-month billing cycle) *	Proposed Rate (per 1,000 gallons)
<u>Single Family (SF)</u>	
Tier 1 <1,000 per day per lot	\$ 3.57
Tier 2 >1,000 & <2,500 per day per lot	\$ 4.64
Tier 3 >2,500 per day per lot	\$ 5.72
<u>Multi Family (MF) (AOAO)</u>	
Tier 1 <1,000 per day per unit	\$ 3.57
Tier 2 >1,000 & <2,500 per day per unit	\$ 4.64
Tier 3 >2,500 per day per unit	\$ 5.72
<u>Home Owners' Association (HOA)</u>	
Tier 1 <1,000 per day per acre	\$ 3.57
Tier 2 >1,000 & <2,500 per day per acre	\$ 4.64
Tier 3 >2,500 per day per acre	\$ 5.72
<u>All Other</u>	
Tier 1 <1,000 per day per acre	\$ 3.57
Tier 2 >1,000 & <2,500 per day per acre	\$ 4.64
Tier 3 >2,500 per day per acre	\$ 5.72

* User charges are per day averages calculated by dividing the total volume used during the billing cycle divided by the number of days in that billing cycle. For example, a single family customer with one lot who uses 59,400 gallons during a billing cycle of 61 days will pay Tier 1 rates of \$5.81 (59,400 gallons /61 days=973.77 gallons per day).

Service Charge (meter reading) charge per meter per two-month billing cycle)

Meter Size (inches in decimal format)	Rate every two months
0.625	\$5.00
0.750	\$5.00
1.000	\$10.00
1.500	\$10.00
2.000	\$25.00
3.000	\$50.00
4.000	\$75.00
6.000	\$150.00
8.000	\$250.00
10.000	\$250.00

EXHIBIT A

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Senior Vice President – Finance & Treasurer

EXHIBIT B
SERVICE AREA MAP

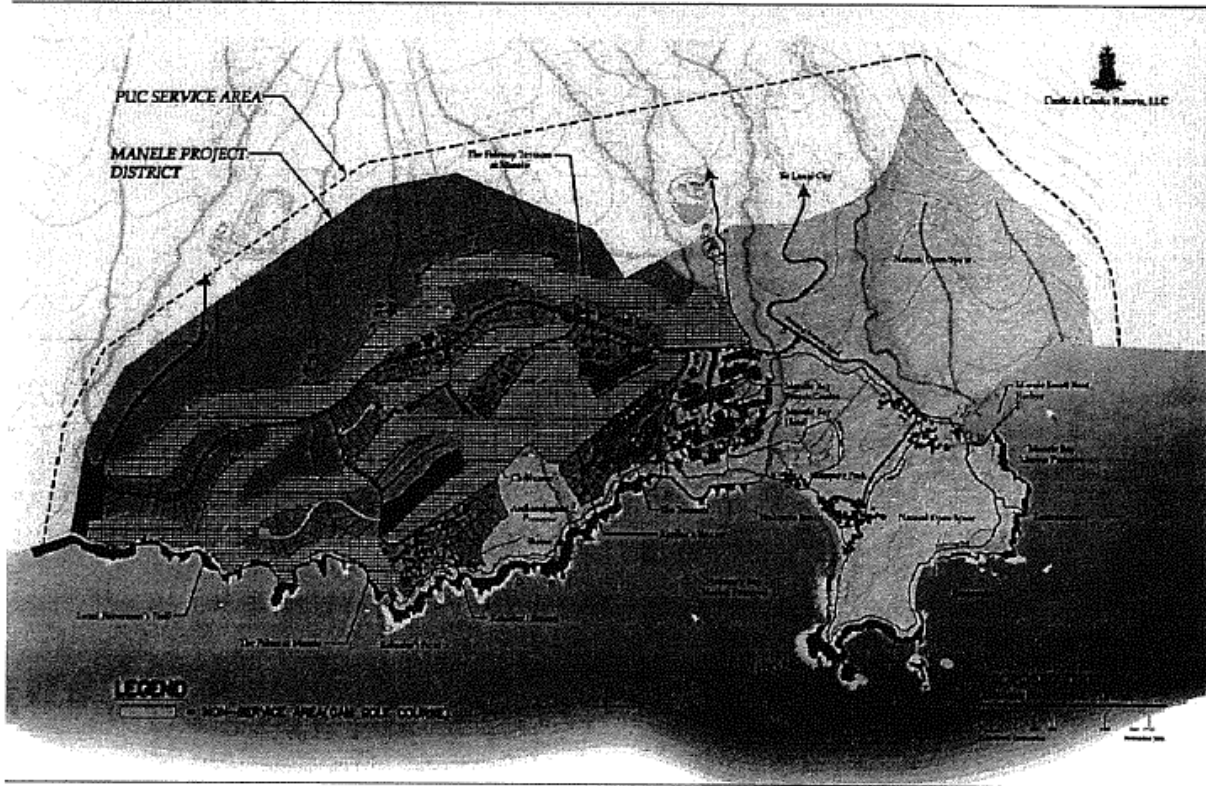


EXHIBIT B

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