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SEMITROPIC IMPROVEMENT DISTRICT
OF SEMITROPIC WATER STORAGE DISTRICT
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BUTTONWILLOW, POND-POSO

AND

SEMITROPIC IMPROVEMENT DISTRICTS

OF

SEMITROPIC WATER STORAGE DISTRICT

CONSOLIDATED
RULES AND REGULATIONS

FOR

DISTRIBUTION OF WATER

Adopted by an Agreement Consolidating Activities
May 12, 1993, Effective January 1, 1993
Memorandum of Agreement
Recorded August 26, 1993, Book 6897, Pages 1622 et seq.

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BUTTONWILLOW, POND-POSO AND SEMITROPIC IMPROVEMENT DISTRICTS
OF
SEMITROPIC WATER STORAGE DISTRICT

**CONSOLIDATED
RULES AND REGULATIONS FOR
DISTRIBUTION OF WATER**

These consolidated rules and regulations are established pursuant to the requirements of the California Water Code for Buttonwillow, Pond-Poso Improvement Districts of Semitropic Water Storage District, hereinafter collectively called "District" by the Board of Directors of Semitropic Water Storage District acting for and on behalf of said Improvement Districts of Semitropic Water Storage District, hereinafter called "Board", for the distribution and use of water within the District, to enable the District to perform its functions most efficiently and to deliver water to Water Users at the least possible cost, and are the Rules and Regulations mentioned in those certain water service contracts between Buttonwillow, Pond-Poso and Semitropic Improvement Districts and various landowners within the District.

As provided in an "Agreement Consolidating Activities...", dated May 12, 1993 (hereinafter "Consolidation Agreement"), among other things, SEMITROPIC IMPROVEMENT DISTRICT (SID) was authorized to act for itself and as Agent for Buttonwillow and Pond-Poso Improvement Districts in administering contracts between said Improvement Districts and various landowners. A Memorandum of Agreement referencing said Consolidation Agreement was recorded August 26, 1993 of Book 6897, Pages 1622 et seq. of the Official Records of Kern County. These Rules and Regulations supersede previous Rules and Regulations adopted for Buttonwillow and Pond-Poso Improvement Districts.

1. DEFINITIONS

Terms and expressions employed in the Rules and Regulations are as defined in the water service contracts executed by the Buttonwillow and Pond-Poso Improvement Districts, including Intermittent Water Service Contracts executed by Semitropic Improvement District, with their respective landowners, with the exception of certain terms or expressions used herein which do not appear in said contracts but which terms or expressions are defined or explained at the point where they are introduced in the Rules and Regulations.

2. AUTHORITY

(a) Semitropic Improvement District: SID shall act as Agent for Buttonwillow and Pond-Poso Improvement Districts in carrying out and implementing these Rules and Regulations, except that Buttonwillow and Pond-Poso Improvement Districts shall levy charges provided at Articles 5 and 6 hereof, all as provided by the Consolidating Agreement.

(b) Manager: The District's Project Facilities are under the exclusive management and control of the Manager, who is the person appointed by the Board to manage the affairs of the District pursuant to its direction. No person except the Manager or his designee shall operate any of the District's Project Facilities.

(c) District Employees: The Manager shall supervise the activities of all District employees in connection with operation and maintenance of the District's Project Facilities and all other activities of the District. The authority of the employees of the District shall be designated by the Manager, and any controversy between a Water User and District employee that cannot be settled directly shall be appealed to the Manager. In the event the Manager is unable to reach a satisfactory decision, an appeal may be made to the Board. The decision of the Board shall be final and conclusive.

(d) Right of Access: District employees authorized by the Manager have reasonable access to lands within the District for the purpose of conducting District business, which may include, among other matters, the following:

- (1) Inspection of the lands upon which water delivered from Project Facilities is being applied for the purpose of determining Water User's compliance with the terms of the applicable Water Service Contract and these Rules and Regulations and for purposes of determining whether or not wells in the Intermittent Surface Water Service Area are operating.
- (2) Inspection, maintenance, repair or modification of Project Facilities.
- (3) Determination of improper use or wasting of water.
- (4) Measurement of ground water levels and obtaining water quality samples from wells.

3. WATER SERVICE

(a) Contract Surface Water Service Area: Contract Water Service will be provided only to lands in the District's Contract Surface Water Service Area. The lands included in said Contract Surface Water Service Area are those certain parcels of real property described in the Exhibit "A" of those certain Water Service Contracts which have been executed by the Buttonwillow and Pond-Poso Improvement Districts and the landowners and are on file in the District's office. Lands within the Contract Surface Water Service Area are shown on a map on file at the District office designated as "Contract Surface Water Service Area" as amended from time to time. In a case of conflict between the lands described in the Exhibit "A" of said Water Service Contracts and said map, the description contained in said Exhibits shall govern.

(b) Intermittent Surface Water Service Area: Intermittent Water Service will be provided only to lands in the District's Intermittent Surface Water Service Area. The lands included in said

Intermittent Surface Water Service Area are those certain parcels of real property described in the Exhibit "A" of those certain Intermittent Water Service Contracts which have been executed by the Semitropic Improvement District and the landowners and are on file in the District's office. Lands within the Intermittent Surface Water Service Area are shown on a map on file at the District office designated as "Intermittent Surface Water Service Area" as amended from time to time. In a case of conflict between the lands described in the Exhibit "A" of said Intermittent Water Service Contracts and said map, the description contained in said Exhibits shall govern.

(c) Additions of Lands to Contract Surface Water Service Area and Intermittent Surface Water Service Area: Lands may be added to the Intermittent and Contract Surface Water Service Areas pursuant to an application filed with the Board therefore by the owner or owners of said lands only if: (1) such addition is determined by the Board to be feasible and in the best interests of the District and in accordance with criteria established by the Board, and (2) the owner or owners of said lands execute a contract with the District for water service for said lands in the form established by the Board.

(d) Exclusion of Lands from either the Intermittent or Contract Surface Water Service Area: Lands may be excluded from either surface water service area pursuant to an application filed with the Board therefore only if: (1) the Board determines that such exclusion will not be detrimental to the best interests of the District, and (2) the obligations of the contract for water service, if any, binding said lands are assumed by other lands within the District which are added to either surface water service area as provided in Section 3(c) above. Assumption of said obligations must be under terms and conditions which will result in no financial loss to the District.

(e) Noncontract Water Service: Noncontract Water may be offered to Water Users for agricultural use on lands within the Intermittent or Contract surface water service area (sometimes called "Unscheduled Water") and for agricultural use on irrigated lands outside said service areas (sometimes called "Temporary or Noncontract Water"), from water supplies available to District in excess of delivery requirements of District to supply the Contract Amounts of Water (or proration thereof in case of shortage) of the Intermittent and/or Contract Water Users. Such water may be made available only if it does not interfere with obligations of the District to supply the quantities of water (or proration thereof in case of shortage) available to each Water User under its applicable Water Service Contract for Contract or Intermittent water service and shall be delivered on an interruptible and nondependable basis. The acceptance of such Noncontract Water will be at the option of Water User/Landowner. Noncontract Water will be made available to lands within and outside of the Contract and Intermittent surface water service area on the same priority.

(f) Special Purpose Water Service: From time to time the District may have available water in excess of project demands which may be used to provide temporary water service for special purposes unrelated to agriculture. Such Special Purpose Water Service shall be made available under terms and conditions established by the Board.

4. DELIVERY, USE, AND MEASUREMENT OF WATER

(a) Annual Water Delivery Schedule: The District on behalf of each Contract Water User that executed a Water Service Contract for Project Water from the State Water Project, will file with the Agency, an Annual Water Delivery Schedule indicating the amount of water estimated to be delivered each month for the succeeding five years. The District will schedule deliveries taking into consideration previous years cropping patterns and other factors it may deem appropriate. It should be recognized that the District's supply of water is limited in the month or months of maximum demand by contractual provisions, capacity of the California Aqueduct available to the District and by capacity of the District's distribution system. Revisions to the annual schedule submitted by the District may be filed by the Water User at any time. The District will make every reasonable effort to comply with any revised schedule, but will do so only if the Manager or his designee determines that it is practicable and feasible to do so, and the District assumes no obligation for the delivery of water under such revised schedule.

(b) Daily Water Use Schedule: Orders to turn on or to turn off water, or orders to increase or decrease the rate of water delivery, shall be made at District office in person or by telephone by Water User or his designee as provided in these Rules and Regulations. Water orders on all days except Saturday, Sunday, and holidays, shall be placed before 8:00 a.m., for water service the following day, and water orders placed after 8:00 a.m., will be for water service the second succeeding day. Orders shall normally be made on the basis of continuous use of water during the 24 hour period commencing between 7:00 a.m. and 9:00 a.m. In the event of an emergency, or when a change is in the delivery point within the service area of the same lateral, or when it may otherwise be practical to do so, changes in deliveries may be approved on lesser notice, but the District assumes no obligation to do so. Although the District will make every reasonable effort to comply with the requested water orders, the conveyance capabilities and delivery capabilities of the District's facilities as well as the achievement of overall economy of operational costs make it necessary that at times, and particularly during periods of peak irrigation water use, essentially 24 hour operation of the conveyance and delivery capabilities on a seven-day week basis be maintained in order to assure that all Water Users receive adequate supplies of irrigation water.

(c) Authorization Form: In the case of leased land, or for any other reason, Water User may execute and file with the District an Authorization Form. This form will authorize the lessee or the designee to file the Annual Water Delivery Schedule and to make subsequent water orders and shall constitute the consent of the Water User to the collection and to all charges in any manner authorized under the Water Service Contract and by Sections 47181 to 47185, inclusive, of the California Water Code. Said form may authorize the lessee or designee to receive copies of District billings arising from the affected Water Service Contract. This authorization shall remain in effect until suspended, or until revoked in writing by Water User or the lessee or designee.

(d) Appointment of Agent: Where the Water User consists of more than one individual, except husband and wife living at the same address, or when Water User is an entity, i.e., a corporation, partnership, limited liability company, or state, county or other public agency, Water User shall appoint an agent for the purpose of performing any and all acts to be done by Water User

as defined in the Water Service Contract, and for receiving all notices from the District and billings for charges incurred by reason thereof. The form of the appointment shall be prepared by the District. The appointment of such an agent will in no way release Water User or his lands from any obligation under the Water Service Contract.

(e) Authority of Representative: Any person acting in any representative capacity as Water User shall furnish evidence of his authority to so act and bind Water User to the satisfaction of the District. Such representative shall include a guardian, conservator, administrator, executor, trustee, partner including limited partnership, attorney-in-fact, operator of lands affected by a master operating agreement, and the like.

(f) Interruptions and Service: Attention is directed to section 3(h) of the Water Service Contracts, which provides as follows:

"District may temporarily discontinue or reduce the amount of water to be furnished to Water User as herein provided for the purpose of investigation, inspection, maintenance, repair or replacement, as may be reasonably necessary, of any of the Project Facilities for the furnishing of water to Water User, or of the facilities of the State Water Project, but, so far as feasible, District shall give Water User due notice in advance of such temporary discontinuance or reduction, except in the case of an emergency, in which case no notice need be given. In no event shall any liability accrue against the District or any of its officers, agents, or employees, for any damage, direct or indirect, arising from such temporary discontinuance or reduction of water deliveries."

Under paragraph 3(h) of the Intermittent Contract, the District similarly reserves the right to temporarily discontinue water deliveries.

In the case of emergency shut off by the District, an effort will be made to notify Water User as soon as possible, which notice may be given by leaving a note under the meter cap of the affected turnout(s).

(g) Emergency Turnoffs by Water User: Water User may, in an emergency, including but not limited to acts of God, turn off the supply of water at Water User's turnout. If Water User effects such emergency turnoff, he must notify the District office immediately by telephone or in person. Water User and anyone effecting such an emergency turnoff does thereby agree to assume the defense of and hold harmless the District and its officers, agents and employees from any and all loss, damage, liability, claims or causes of action of every nature whatsoever, for damage to or destruction of property, including District's property, or for injury to or death of persons in any manner arising out of or incidental to such emergency turnoff.

(h) Use of Other Water Supplies: Except as limited by the Intermittent Water Service Contract, Water User may use water furnished by District concurrently with water from other sources, provided that Water User can demonstrate to the satisfaction of the Manager or his designee that Project Water is not being used on land other than that for which it is intended, as set forth in the

Water Service Contracts.

(i) Waste of Water: Water delivery may be discontinued by the District for any Water User found to be wasting water either willfully, carelessly, or on account of defective or inadequate ditches or pipelines or inadequately prepared land or improper management, and said water delivery will not be resumed until such conditions are corrected; PROVIDED, HOWEVER, that Water User shall in no way be relieved of any responsibility for payment of any charges or obligations by reason of such discontinuance of water service.

(j) Farm Turnouts: Except as hereinafter provided for Noncontract, Unscheduled, Temporary, and Special Purpose deliveries of water, and as provided in the Water Service Contracts, all deliveries will be made only through District owned and operated turnouts or other turnouts or facilities approved in writing by the District.

(k) Connections: All plans for the connection of Water User's system to District's farm turnouts shall be submitted to the Manager or his designee for approval, and no such connection will be permitted until such approval has been given. All connections to District's farm turnouts shall be made in a manner so as to prevent damage from occurring to District's system resulting from operation of Water User's system and so as to prevent unauthorized water from Water User's system from entering District's system absent written permission by the District. Any required modification of District's farm turnouts shall be made by District. All costs associated with such connections shall be born by the Water User, except the initial hookup costs of affected lands for the Intermittent Surface Water Service Area will be borne by the District.

(l) Combined Turnouts: In accordance with the District's design criteria, water service will be provided to parcels less than 20 acres in size within the Surface Water Service Area only in conjunction with service to an adjacent larger parcel or several adjacent smaller parcels where the total combined area is 20 acres or more. Service to such parcels as well as service to any other land described in Exhibit A of the respective Water Service Contracts that split ownership subsequent to execution of the applicable water service contracts, will be made through a single turnout designated a combined turnout. Water will be furnished through such a combined turnout to a group of Water Users only upon condition that said group of Water Users first files with the District an agreement, in a form approved by the District, executed by each and every Water User in said group and providing, among other things, the following:

- (1) Acceptance of delivery of water through the combined turnout.
- (2) Granting of an easement to the other Water Users, as necessary, to convey water from the combined turnout to their respective lands.
- (3) Authorization for one individual to represent said group in all matters relating to delivery of water by District through said combined turnout.

(m) Noncontract and Special Purpose Deliveries: Delivery of water for Noncontract and Special Purpose Service will be made in the manner decided by the Manager or his designee. As a condition to Noncontract Water Service for lands not within the Contract or Intermittent service areas, the owner of lands to be served shall have executed an agreement establishing a covenant running with the land in a form provided by the District, wherein the landowner expressly acknowledges that the affected lands have no right to firm water service from the District.

5. PAYMENTS FOR WATER

(a) Contract Water Service:

- (1) Under conditions of Contract Water Service, Contract Water Users shall pay the Water Use Charge and Service Charge as provided in the Water Service Contracts, together with an Additional Water Use Charge as herein established. Said Additional Water Use Charge shall be fixed at an equal rate per acre-foot of the Contract Amount of Water, as set forth in Exhibit "A" of each Water User's Contract, and shall reflect that portion of the cost of project services and benefits arising from Contract Water Service in excess of revenue received from the Water Use Charge and Service Charge.
- (2) Procedure for Fixing and Collecting Charges: The procedure established for fixing and collecting the Service Charge and Additional Water Use Charge shall be as follows:
 - (a) Until such time as this policy or these procedures are changed as provided in subparagraph (6) hereof, at the regular meeting in October preceding the affected Year or at such other time as may be announced at said meeting, the Board shall consider, determine, and by resolution fix the preliminary amounts to be raised from said charges for the ensuing year for both the Buttonwillow and Pond-Poso Improvement Districts. Said resolution shall fix:
 - (i) the total Contract Amount of Water provided by the Water Service Contracts in acre feet;
 - (ii) the total number of acres subject to Water Service Contracts;
 - (iii) the total preliminary amount of money necessary to be raised from the Surface Water Service Area during said Year to recover such of the improvement district's costs incurred by reason of construction and operation of its Adopted Project, in fulfillment of its obligation to provide water service under conditions of Contract Water Service;

- (iv) the amount of money estimated to be collected from the Water Use Charge;
 - (v) the total preliminary amount of money to be raised from the Service Charge as reflects the portion of the fixed costs of services and benefits attributable to the availability of Contract Water Service that the Board determines shall be recovered at an equal rate per acre, and declare the per acre rate of the Service Charge. The total debt attributed to capital expenditure shall be split equally between the Pond-Poso and Buttonwillow Improvement Districts;
 - (vi) the total preliminary amount of money necessary to be raised from the Additional Water Use Charge, declare that said Additional Water Use Charge is in addition to the Water Use Charge and Service Charge specified in the Water Service Contracts and is payable and to be collected upon the terms and conditions as the Water Use Charge as set forth in the Water Service Contracts and the Rules and Regulations, and declare the per acre-foot rate of the Additional Water Use Charge;
 - (vii) declare that delinquent charges and penalties shall constitute a lien upon the affected real property as provided in said Water Service Contracts and the Rules and Regulations;
 - (viii) declare the time and place of the public hearing to be held as required herein; and
 - (ix) fix the form of notice of said hearing.
- (b) The District's Secretary shall give notice to all Contract Water Users and persons authorized to receive billings for water service. Said notice shall be mailed to all Contract Water Users and persons authorized to receive billings for water, which mailing is to be completed at least 10 days prior to the date of said hearing. Said notice shall also be published once a week for two successive weeks, as provided in Section 39057 of the Water Code, publication to commence at least 25 days prior to the date of said hearing.
 - (c) There shall be held, by the Board, on the date of the regular meeting in November, or at said meeting or fixed by the Board, at the District office, a public hearing at which time any person interested in District's operations may in person or by representative appear and be heard regarding the fixing of said charges. The Board may adjourn

said hearing from time to time and may adjourn said hearing to a different place if deemed necessary. Said hearing is to be completed by December 31st prior to the affected Year, but in no event shall it be continued beyond the following January 15th.

- (d) At the hearing the Board may change or modify the proposed rates and charges; provided, however, that no proposed rate or charge shall be raised or increased from that set forth in said resolution and notice, unless notice of intention to make said increase shall be published once at least ten (10) days prior to the hearing on the proposed charge.
- (e) At the conclusion of the hearing the Board shall, by resolution, determine whether the proposed charges, as originally proposed or modified as provided herein, are not discriminatory or excessive and will be sufficient to comply with the requirements of this Rule; adopt said proposed charges as proposed or as modified as provided herein and order that said charges be collected as provided in the Water Service Contract and the Improvement Districts' Rules and Regulations and that said charges shall constitute a lien upon the land.
- (f) Following adoption of said resolution finalizing charges, the District shall forthwith notify all affected Water Users and persons authorized to receive billings for water service of the Board action and the rates of said charges. The Water Use Charge and Additional Water Use Charge may be billed at a composite rate.

(3) Payments for Contract Water Service: The Water Use Charge, Service Charge and Additional Water Use Charge shall be paid by the Contract Water User in eight equal installments, said installments to become due and payable on the 10th day of the months of February through September; PROVIDED, HOWEVER, the Board may order the Service Charge be collected by the County.

(4) Adjustments: The Board may at any time during the Year decrease the Service Charge or the Additional Water Use Charge by making retroactive adjustments in said charges, or either of them. PROVIDED, HOWEVER, said charges may only be decreased if monies necessary to meet the District's financial obligations in lieu of the monies not raised by the reduced charge(s) are obtained from

the Contingency Reserve Fund under conditions established by the Board, from other sources or from borrowings.

During Water Deficient Years, the Board at its discretion may adjust and decrease charges in the following manner:

- (a) Board determines what percentage of the calculated amount is to be billed (i.e. Bill 75% of normal payment for a 75% water supply.) The Eight (8) equal payments are then accordingly reduced from the amount which otherwise would be billed.
- (b) If the water allocation is increased, then the increased amount from prior months is billed with the next normal billing (i.e. If January was 75% and February 85% - 75% billed in January and 85% plus 10% billed in February.)

(5) Credits and Additional Payments: In the year following deliveries, the District will mail to the Water User a final accounting of Water Use Charge and the Additional Water Use Charge for the previous year. In event an amount of water less than the Contract Amount of Water is delivered to the Water User, the District will provide the Water User with a derivation of the credit to the extent known for the preceding year.

In determining any such credits, it is the policy of the Board to, (a) maximize import of water in wet years by discouraging the use of ground water; therefore, the credit for unused water is set at the avoidable cost to transport the water to the Water User (Firm transportation, plus District energy) and, (b) in dry years to offer a credit for allocated water released early in the year at a greater amount than (a) above, so as to provide for the most efficient use of limited supplies.

The District will include with said final accounting either: (1) a statement of credit owing to Water User for overpayment; or (2) a statement of Water User's additional payment obligation, which shall be due and payable thirty (30) days following such invoice. Any credit owing to the Water User for overpayment will be applied to the account of Water User for future deliveries, as provided in Section 5(d) of the Water Service Contract.

(6) Amendments: This policy and procedure affecting Contractual Water Service shall continue until such time as the Board determines, pursuant to noticed public hearing, that said charges, or any of them, are to be fixed on some basis other than that herein provided or until such time as there has been a reassessment of Project costs as provided in Section 46355 of the Water Code; PROVIDED, HOWEVER, pursuant to petition of the holders of title to ten percent (10%) of the land to receive such charge or charges filed with the Board not later than five days preceding the regular meeting date in September preceding the affected Year, the Board shall set a noticed public hearing to consider whether such policy should be continued or the amount of such charge or charges or all of such matters, as may be specified in said

petition.

Notice of time and place of such public hearing, specifying the matters to be considered, shall be by publication once a week for two successive weeks, as provided in Section 39057 of the Water Code, and by depositing in the mail, at least three weeks before said hearing date, a copy of the notice directed to each holder of title to lands within the improvement district at their last known address as determined in accordance with Chapter 3, Part 1, Division 14 (commencing with Section 39050) of the Water Code. Said date of hearing shall not be less than thirty days after the first date of publication.

(b) Intermittent, Noncontract and Special Purpose Service: Under conditions of Intermittent, Noncontract and Special Purpose Service, payment shall be made at the rate or rates and under terms and conditions established by the Board for such services. Advance payment for such services shall be required unless a Contract Water User has unused water on account and is willing to designate delivered water as Contract Water prior to the end of the month in which water was delivered. However, if for any reason the Water User/Landowner is delinquent in payment of any charges due for any water delivered, in addition to other remedies available, water deliveries will be terminated and said delinquent amounts may be collected in the same manner as provided at Section 5(c) below.

(c) Delinquency in Payments: If any payment which Water User is required to make to the District is not received by the District at 5:00 p.m., on the 30th day after the date it becomes due and payable, said payment is delinquent within the meaning of Section 5(h) of the Water Service Contract, and delivery of water to said Water User shall be discontinued. No further water deliveries will be made to said Water User until all delinquencies, plus penalties and interest, are paid. Also, any payment remaining unpaid for a period of thirty (30) days after the date it becomes due and payable is delinquent as provided in Section 5(i) of said Contract, and a penalty of ten percent (10%) of that payment will be charged plus interest at twelve percent (12%) per year from the date it was due and payable until all payments are brought up to date. If a Water User has been delivered his full Contract Amount of Water (in the case of a Contract Water User) and, thereafter, becomes delinquent in any installment, all remaining installments for that year shall forthwith be due, payable, and delinquent as herein provided.

Should a Water User be delinquent on October 10, the District will commence proceedings to collect the charge as provided in Sections 47181 to 47185, inclusive, of the Water Code. This may lead to sale of the property affected by the Water Service Contract and to continued refusal of water service, all as provided in the Water Service Contract and the Rules and Regulations. Nothing herein contained shall be construed in any manner as abridging, limiting, or depriving District of any means of enforcing any remedy, either at law or in equity, for any breach by Water User in failing to timely pay any assessments, tolls, or charges.

(d) Deferment of 1992 Costs: The District has participated in a program whereby costs

due by the District to Agency and, in turn, the Agency to the State for 1991 costs which would otherwise be due in 1991 are deferred for five years, plus interest payable at the State Money Investment Fund Interest Rate. Such costs, estimated to be about \$14.15 per acre-foot of the Contract Amount of Water in each Water User's Water Service Contract, shall be deferred and added as part of the Water Use Charge during 1992 through 1996. The obligation of Water Users to pay such amounts deferred shall be of the same character and quality as if such charges were collected during 1991 under obligations set forth in the respective Water Service Contracts with the individual Water Users. In addition, such obligations to be repaid during 1992 through 1996 shall constitute a charge under Sections 43006 and 47180 of the California Water Code. If any amounts to be deferred are not paid in full, the District reserves all rights to collect such charges, as if collected during 1991, including all remedies available to it under their respective Water Service Contracts and the California Water Code.

6. PROCEDURE FOR FIXING TOLLS AND CHARGES NOT ESTABLISHED BY CONTRACT

(a) In accordance with Section 43003 of the Water Code, the following procedures are established for fixing tolls and charges authorized by Sections 43006 and 47180 other than those tolls and charges established by the Water Service Contracts for Contract or Intermittent water service and by the Board from time to time for Unscheduled, Temporary, Wheeling and Special Purpose Water Service. Before fixing any such toll or charge, the Board shall pass a resolution declaring its intention to do so and in the resolution establish a time not less than two weeks nor more than four weeks from the date of the resolution when the matter of fixing such toll or charge will be considered in open meeting. A copy of the resolution of intention shall be published once a week for at least two weeks before the time appointed by the Board for the open meeting in a newspaper of general circulation in Kern County. At the time established for the open meeting by the Board, it shall consider the matter of fixing the tolls or charges and hear any objections thereto.

(b) In order to provide for payment of Project costs in proportion to services rendered to all lands within each Improvement District and in proportion to the services rendered to developed lands within the Surface Water Service and Ground Water Service Areas under present Project conditions it is necessary that the following charges, in addition to the charges fixed pursuant to Water Service Contracts for lands within its Contract or Intermittent surface water service area or such short-term Water Service Contracts as may be entered into, be established, namely:

(1) General Administrative Service Charge: Being the amount of money necessary to be raised by Buttonwillow and Pond-Poso Improvement Districts to provide for and to recover such of its costs of salaries, services, supplies, and other expenses as are applicable to the general administration of the affairs of each Improvement District, plus a reasonable percentage not to exceed fifteen percent (15%) for delinquency and the percentage necessary to cover cost of collection.

Said charge shall be fixed annually in such amount as reflects that portion of the costs of such Improvement Districts' services as reflect the services and benefits to

lands within the Improvement Districts by reason of being in an organized improvement district, importing supplemental water.

In order that such charge be collected from all persons receiving the benefit thereof and that such charge be collected in proportion, as nearly as practicable, to such services rendered, said charge shall be fixed at an equal rate per acre upon each acre of assessable land within each improvement district; EXCEPTING, that a minimum rate per parcel shall be established for tracts of land less than one acre in area.

(2) General Project Service Charge: Being the amount of money necessary to be raised by Buttonwillow and Pond-Poso Improvement Districts to provide for and to recover such of its costs incurred by reason of construction and operation of the Adopted Projects of Buttonwillow, Pond-Poso and Semitropic Improvement Districts, including repayment of construction loan contracts, service and retirement of Improvement Districts' securities, water service from the Kern County Water Agency or from other sources, and operation, maintenance, and replacement for completed Project Facilities in excess of said General Administrative Service Charge and such tolls and charges as are to be collected for Surface Water Service provided in Buttonwillow and Pond-Poso Improvement Districts' long-term Water Service Contracts with lands within their Surface Water Service Area or such short-term Water Service Contracts as may be entered into, plus a reasonable percentage necessary to cover costs of collection.

Said charge shall be fixed annually in such amount as reflects that portion of the costs of such Improvement Districts' services as reflect that portion of the Project services and benefits to certain lands within each improvement district arising as a consequence of the construction and operation of the Buttonwillow, Pond-Poso and Semitropic Improvement Districts' adopted projects, which projects are designed to provide a more reliable water supply on a long-term basis by the importation of supplemental water. Such general project services and benefits accrue equally to all assessable lands using or having the potential to use Surface Water Service by reason of a long-term or short-term Water Service Contract with Buttonwillow and Pond-Poso Improvement Districts, and/or the Semitropic Improvement District and to all other assessable lands developed in reliance upon the use of ground water, including all commercial, industrial, and residential lots or parcels, all of which, as a consequence of the District's operations, will be in a long-term stabilized water area.

In order that such charge be collected from all persons receiving the benefit thereof and that such charge be collected in proportion, as nearly as practicable, to such services rendered, the charge shall be fixed at an equal rate per acre upon each acre of such assessable land within Buttonwillow and Pond-Poso Improvement Districts; EXCEPTING as follows: (1) EXCEPTING that a minimum rate per parcel may be established for tracts of land less than one acre in area; (2) FURTHER EXCEPTING a separate minimum rate per acre, not to be less than one-quarter of the general per

acre rate, may be established for tracts of land permanently developed and used for recreational purposes, including commercial duck club uses, and for irrigated native pasture; PROVIDED, HOWEVER, such lands shall not be considered as being used for such purposes unless it has been exclusively used for such purposes for a continuous five-year period preceding the year in which any such charge has been fixed or was undeveloped during said preceding years or the landowner demonstrates to the satisfaction of the Board that the property has been converted to such uses and will not in the future be used for irrigated agriculture, other commercial, industrial or residential uses; (3) FURTHER EXCEPTING, the charge for all public entities with an alternative supply of water and which operate ground water extraction facilities that withdraw water from otherwise undeveloped lands within the District (not already receiving the General Project Service Charge) (hereinafter "public well site lands") shall be fixed at a rate per acre-foot, which rate shall be based on the assumed average applied water demands of other developed agricultural lands within the District, applied to the amount of water extracted during the prior irrigation season of April 1 through March 31, calculated by a reasonable method approved by the Board.

(c) It is necessary that the following procedure be established for annually fixing and collecting the foregoing charges:

(1) Until such time as this policy and procedure is changed, as provided in subparagraph (5) hereof, at the regular meeting in April or at such other time as may be announced at said meeting, the Board shall consider, determine, and by resolution fix the amount of such charges for the current Fiscal Year. In compliance with Section 47980 of the Water Code, said resolution shall fix the total amount of each such charge; the percentage for delinquency and cost of collection attributable to such charges; the minimum charge for parcels less than one acre in area; set the time and place for hearing of objections to the roll as provided in subparagraph (3) hereof; and determine the newspaper or newspapers in which notice shall be published.

(2) In accordance with the provisions of Section 47980(b) of the Water Code, the Treasurer shall prepare a roll setting forth the assessee parcels and the assessee names for such parcel of assessable land in the District, determined in accordance with the provisions of Chapter 3, Part 1, Division 14 (commencing with Section 39050) of the Water Code and matters on file in District's records; the acreage assessed to each such assessee according to District's records and the acre-feet of water extracted for public well site lands during the prior irrigation season and the classification of each such tract of land, said classifications being non-developed, developed, recreation or irrigated native pasture and public well site, and shall prepare plat maps in accordance with said roll.

The Treasurer shall determine the preliminary rates per acre for said charges, which rates shall be based upon the matters set forth in said roll and the determinations of

the Board and shall be separately stated as a rate per acre for parcels receiving only a General Administrative Service Charge and a composite rate for those lands also receiving the General Project Service Charge.

(3) Said roll, plat maps, and preliminary rates shall be filed with the Secretary and be available for public inspection at the District office. The Secretary shall forthwith give notice of filing of said roll, which notice shall set forth the preliminary rates per acre, the minimum charge for parcels less than one acre in area, if any and, the special per acre rates for lands developed and used for recreational purposes and for irrigated native pasture and the rate per acre-foot for public well site lands, and declare the time and place set by the Board when the Board will meet and hear any objections to the charges established for said respective tracts of land in accordance with the matters set forth in said roll. A copy of said notice shall be published once a week for two successive weeks, as provided in Section 39057 of the Water Code, and shall be deposited in the mail, addressed to each holder of title to lands within the Improvement Districts receiving a charge at their last known address as set forth in said roll. The first publication shall be at least three weeks (21 days) prior to the date of said hearing and mailing shall be completed at least ten (10) days prior to said hearing date.

(4) At the time and place for hearing of objections, the Board shall consider such objections to the roll and make such corrections thereto as are necessary and proper. Upon conclusion of the hearing, the Board shall adopt said roll as finally fixed and determined; make such changes in the preliminary rates per acre necessitated thereby; order the Treasurer to certify said roll, declare whether all or any part of said charges be collected by the County of Kern pursuant to the provisions of Article 4, Part 9, Chapter 13, Division 14 (commencing with Section 47980) of the Water Code or by the District pursuant to Water Code Section 43006 or 47180 et seq. and, in the former case, determine the District account at the County to which said funds shall be deposited when collected.

If it be ordered that the charges be collected by the County of Kern then, on or before July 15 and no later than the third Monday in August, the Secretary shall file with the County Auditor-Controller of Kern County certified copies of said final roll, the resolution fixing charges and the resolution adopting said roll, fixing the rates per acre and ordering collection by the County.

(5) This policy and procedure shall continue until such time as the Board determines, pursuant to noticed public hearing, that said charges, or either of them, are to be fixed on some basis other than that herein provided or until such time as there has been a reassessment of project costs as provided in Section 46355 of the Water Code; PROVIDED, HOWEVER, pursuant to petition of the holders of title to ten percent (10%) of the land to receive such charge or charges, filed with the Board

not later than five days preceding the regular meeting date in August, the Board shall set a noticed public hearing to consider whether such policy should be continued or the amount of such charge or charges or all of such matters, as may be specified in said petition.

Notice of time and place of such public hearing specifying the matters to be considered, shall be by publication once a week for two successive weeks, as provided in Section 39057 of the Water Code, and by depositing in the mail, at least three weeks before said hearing date, a copy of the notice directed to each holder of title to lands within the District at their last known address as determined in accordance with Chapter 3, Part 1, Division 14 (commencing with Section 39050) of the Water Code. Said date of hearing shall not be less than thirty (30) days after the first date of publication.

7. WATER SHORTAGES

Pursuant to powers granted by Section 43003, et seq., of the California Water Code, the Board has established and does hereby establish the policy to provide for the sharing of the burden of any shortages in the quantity of water available for distribution to Water Users.

(a) For Contract Water Service in any year to the effect that during any Year when District's water supply from the Kern County Water Agency is less than the total of the Contract Amounts of Water for all Water Users, each Water User will be allocated a share of District's total supply in the ratio of said Water User's Contract Amount of Water to the total of Contract Amounts of Water of all Water Users. The District may supply all or a portion of the Contract Amount of Water allocated to a particular Water User from sources other than the Kern County Water Agency, including water it obtains for ground water banking and from the underground.

(b) For Intermittent Water Service as provided at paragraph 3(k) of the Intermittent Water Service contract, the Board shall determine from time to time the quantity available to such Water Users and the manner to allocate among such Water Users.

8. DISPOSAL OF WATER

For Contract Water Users, as provided in Section 5(j) of the Water Service Contract, the District will make reasonable efforts to dispose of water not required by Water User in any year and credit to Water User any net revenue from such disposal.

9. CONTROL, USE AND RECAPTURE OF WATER

District will not be responsible for the control, carriage, handling, use, disposal or distribution of water delivered to Water User hereunder outside the facilities then being operated and

maintained by District. Water User shall indemnify and shall assume the defense of and hold harmless the District and its officers, agents and employees for any and all loss, damage, liability, claims or causes of action of every nature whatsoever, for damage to or destruction of property, including the District's property, or for injury to or death of persons, in any manner arising out of or incidental to the control, carriage, handling, use, disposal or distribution of water outside such facilities.

Without obligating District to assume any responsibility therefore, District shall have the right to the use of all waste, seepage and return flow resulting from surface water which escapes or is discharged beyond Water User's recovery facilities, if any, and nothing herein contained shall be construed as an abandonment or relinquishment by District of the right to the recapture and the use of any such water; PROVIDED, HOWEVER, that nothing herein contained shall limit or detract from the obligations assumed by Water User.

10. PRESERVATION OF PUMPING RIGHTS

In order that no Water User be prejudiced by utilizing Project Water or other imported water in lieu of exercising whatever rights he may have to pump ground water, and in recognition of the anticipated benefit to the District's underground water supply arising from the implementation of the District's project, all Water Service Contracts for the Contract Surface Water Service Area include at Section 3(m), and for the Intermittent Surface Water Service Area include at Section 3(l), language which memorializes such matters and are incorporated by this reference, provides as follows:

"In the interest of preserving to Water User his rights to pump ground water for use on his lands which will be served with water under this Contract, it is agreed that during all the years that District delivers water to Water User, to the extent the Water User shall reduce his pumping of ground water and shall make use of water so delivered to him by District, Water User's said use of water so delivered to him by the District shall be deemed the same as if he had pumped from the underground a quantity of water equal to the quantity of water so delivered to him by District. Water User also agrees to recognize and be bound by the pumping rights similarly preserved to other Water Users in the District pursuant to Water Service Contracts heretofore and hereafter executed. It is further agreed that, in the event District were to carry out a program for spreading of water and percolation thereof to underground storage, District shall have the right to use of the underground storage for spreading and recovery of water in connection with supplying water service to Water User and to all other Water Users, and it is further agreed that, to the extent that District may pump water from underground supplies for furnishing to Water Users, District shall be deemed to be exercising said Water User's rights to pump water from underground water supplies; PROVIDED, HOWEVER, that nothing herein contained shall prevent or hinder Water Users from exercising his rights to pump groundwater."

In effecting this policy, it is declared that without obligating District to assume any responsibility therefore and without limiting or detracting from the obligations assumed by Water Users in this regard, District shall have the right to the use of all waste, seepage and return flow

resulting from imported water which escapes, percolates or is discharged beyond Water User's recovery facilities, if any, and nothing herein contained shall be construed as an abandonment or relinquishment by District of the right to the recapture, use and benefit of all such water and any use made of any resultant benefit to ground water conditions arising from imported water is made with the consent of the District, which consent is revocable at any time and such use is not to be considered a use adverse to District's rights nor shall any such use under any circumstances create an estoppel in asserting such rights at any time.

Further in effecting this policy, it is declared that during all the years that District delivers water to a Water User, to the extent that such Water User shall have reduced his pumping of ground water and shall make use of water so delivered to him by District, any use made of the resultant benefit to ground water conditions is made with the consent of said Water User, which consent is revocable at any time, and such use is not to be considered a use adverse to his right to the continued exercise of his rights to pump and utilize ground water nor shall any such use under any circumstances create an estoppel in asserting any such right at any time.

Notwithstanding the foregoing, but without limiting the right of landowners to exercise overlying ground water rights as provided above, at any time the District receives additional supplies for the purpose of banking or storing such supplies, and the District delivers such supplies to Water Users or others who otherwise would pump ground water, the District retains the right to subsequently withdraw such banked water, all in accordance with such banking program.

11. PROTECTION OF DISTRICT FACILITIES

Without limiting rights otherwise reserved, and except for drains and waterways which may be built by the District expressly for the conveyance of Water User's drainage water, no persons will be allowed to drain irrigation water upon District owned property, and any person doing so will be subject to fine and damages, will be in violation of the Rules and Regulations, and water service may be terminated.

It is the duty of Water User to furnish reasonable protection for the individual farm turnout to prevent damage to said turnout. In the event that damage occurs to farm turnout as a result of failure by Water User to provide such protection, the repair of such damage will be made by the District, the expense of such repair will be charged to Water User, and no water will be furnished through the affected turnout until such repairs are made and the charges therefore paid to the District.

12. ENCROACHMENT ON DISTRICT PROPERTY

Without limiting rights otherwise reserved, consent for encroachment will be required from the District before any drains, fences, pipelines or other encroachments from private sources will be permitted to be upon the District's property. Consent forms will be furnished by the District to the applicant and consent must first be obtained from the Manager or his designee before any construction begins. Where District rights in any property are an easement, no encroachments will be permitted which will in any manner interfere with or exceed the rights of the District under said

easement, and the District's consent must first be obtained before any pipelines or other encroachments are constructed in any easement area. The work shall be constructed to specifications approved by the District at the sole expense of the permittee and maintained to the satisfaction of the District. If such consent is granted, the permittee shall be solely responsible for and shall indemnify and shall assume the defense of and hold harmless the District and its officers, agents and employees from any and all loss, damage, liability, claims or cause of action of every nature whatsoever, for damage to or destruction of property, including the District's property, or for injury to or death of persons in any manner arising out of permittee's exercise of the rights and privileges given in the granting of such consent. Issuance of consent does in no way grant a permanent right but shall be a revocable license only, and on demand of District said works shall be removed and the District's property restored to its original state at the sole expense of the permittee. Granting of such consent does in no way and to no extent surrender or subordinate the District's control or supervision over the encroachment. Any person or his authorized agent who uses the property of District for the movement of equipment shall be responsible to District for any damage to District property. No livestock will be allowed to enter upon or graze on District's property. Any persons using a District right-of-way for any purpose assumes all risks associated therewith and assumes the responsibility for any damage to District property resulting therefrom and also for any damage to private property caused by such damage to District property.

13. MODIFICATIONS OF PROJECT FACILITIES

No changes shall be made in the constructed Project Facilities except by District personnel or its contractors and in accordance with the District's specifications. If a modification is made at the request of a Water User, and for his benefit, the cost thereof shall be paid in advance by the Water User requesting said modification. The advance payment shall be determined by the Manager based upon an estimate of the costs, including but not limited to reasonable charges for engineering performed by the District and overhead, and after completion of the work a final accounting shall be submitted to the Water User. Within thirty (30) days after submission of said final accounting, the Water User will pay the difference between the actual cost and the estimate thereof or the District will make a refund if the actual cost is less than the advance payment. Any additions to Project Facilities so constructed become the property of the District.

14. SALE OR TRANSFER OF TITLE TO LANDS

Without limiting the provisions of the Water Service Contracts (Section 10 for Contract Water Service and Section 9 for Intermittent Water Service), when land affected by a Water Service Contract is sold or title otherwise transferred to another party, District will be under no obligation to deliver water to such lands until the Water Service Contract is assigned to and assumed by the new landowner. Such assignments and assumption agreements shall be on forms provided by the District, executed and completed in a manner satisfactory to the District. In the event of a transfer of ownership as to a portion of the lands described in an Exhibit "A" to a Water Service Contract and in the absence of written instructions from the affected parties, the Water Service Contract will be administered and the agreement will be prepared so as to allocate the rights and obligations under said Water Service Contract on an acreage basis.

Notwithstanding any transfer or change of ownership, the District shall be entitled to administer the Water Service Contract in accordance with matters in the files at the District office, including but not limited to Water Delivery Schedules and Water Use Schedules and revisions thereto, appointments of agents, authorization forms and billing of tolls and charges until or unless District has received actual notice in writing that any or all of such matters are revoked.

15. MISCELLANEOUS PROVISIONS REGARDING ASSIGNMENTS AND TRANSFERS

The execution by the District of any assignment and/or the giving of its consent to transfer of the rights of a Water User under a Water Service Contract shall be without any warranty of title on the part of the District and shall not be interpreted as any representation, express or implied, by or on behalf of District, that such assignment, transfer or disposal is free and clear of outstanding encumbrances.

Without attempting to establish or in any manner affect the rights of any person arising from a deed of trust, any person or entity having any interest in a deed of trust on property subject to a Water Service Contract, may file with the District a written request for notice of failure to make the payments required by such Water Service Contract or a request for notice of any specific act that the District may be requested to undertake or to consent to under the Water Service Contract or the Rules and Regulations that such person alleges will detrimentally affect its interest, but not limited to (1) a request for exclusion from the Surface Water Service Area, (2) a request for written permission to utilize water on lands other than those described in Exhibit "A" to a Water Service Contract for a period in excess of a year, or (3) a request for assignment of rights under Water Service Contract for a period in excess of a year. Upon receipt of such notice District shall give such person written notice of default or of any request that it take such action as is set forth in the request for notice, at least fifteen (15) days prior to foreclosure proceedings or prior to such other specified act by the District, unless such person has given written consent to the requested action. In addition to setting forth the matters as to which notice by the District is requested, the request for notice shall set forth a legal description of the land affected; the name of the current owner of the fee; the name and address where the requested notice is to be sent and a copy of the deed of trust showing the recording information. Any notice from the District shall be effective when deposited in the mail, postage prepaid, directed to the address shown in the notice; PROVIDED, HOWEVER, District may disregard any request for notice which has not been refiled within fifteen (15) days of a written demand therefore by the District mailed in the same manner and with the same effect as hereinabove provided for the notice by the District: PROVIDED, FURTHER, HOWEVER, nothing herein provided shall render District liable to any person under any circumstances. As used in this paragraph, the term deed of trust shall be deemed to include mortgages, contracts of sale, and other liens and encumbrances.

16. REAPPORTIONMENT OF ASSESSMENTS

The provisions hereof are supplementary to the provisions of Article 8 (commencing with Section 46325) of Chapter 2 of Part 9 of the Water Code.

When any tract of land upon which an assessment has been levied has been subdivided into smaller parcels of land, the Board may, in the absence of any application being filed therefore, prior to a call on said assessment or prior to closing of the County Assessment Rolls if the alternative procedure for collecting District assessments is utilized, order that such assessments be reapportioned in the same manner as utilized in establishing the assessments on the entire tract being reapportioned without notice and hearing unless a person interested shall have filed with the Board a request for notice of hearing of reapportionment of assessments to be made pursuant to said Section 46325.

Applications for reapportionment of assessments on tracts of land in the District shall be in such form as is approved by the Board; landowners' signatures shall be acknowledged in the same form as a conveyance of real property and the application shall be accompanied by certified copies of recorded deeds showing the current ownership of the entire tract to be reapportioned. If the application be signed by less than all the landowners within the subdivided tract, a hearing will be held and notice of hearing shall be by mail directed to landowners affected at the address shown in District records and only to such other persons as are interested who have filed with the Board a request for notice of reapportionment, mailed at least ten (10) days prior to the day of hearing. District may require a report as to status of title of said reapportioned tract and may require payment of such fees and costs by the applicant as the Board may establish.

17. SECTION 592 OF THE PENAL CODE OF THE STATE OF CALIFORNIA

Attention is directed to the provisions of Section 592 of California Penal Code, as follows:

"Every person who shall, without authority of the owner or managing agent, and with intent to defraud, take water from any canal, ditch, flume or reservoir used for the purpose of holding or conveying water for manufacturing, agricultural, mining, irrigating or generation of power, or domestic uses, or who shall without like authority raise, lower or otherwise disturb any gate or other apparatus thereof, use for the control or measurement of water, or who shall empty or place, or cause to be emptied or placed, into any such canal, ditch, flume, or reservoir, any rubbish, filth, or obstruction to the free flow of the water, is guilty of a misdemeanor."

18. AUTHORITY OF CONTRACTS

The Rules and Regulations are in implementation of the Agency Contract, the Master Contract and any amendments to the foregoing, and the Water Service Contracts; and in the case of inconsistency between these Contracts and the Rules and Regulations, the Contracts shall govern.

19. ENFORCEMENT OF RULES AND REGULATIONS

The Manager shall be responsible for the enforcement of the Rules and Regulations. Failure of a Water User to comply with any of the Rules and Regulations shall be sufficient cause for the termination of water service, and water service will not again be furnished to such Water User until full compliance has been made with all the requirements as herein set forth; PROVIDED, HOWEVER, that Water User shall in no way be relieved of any responsibility for payment of any

charges or obligations by reason of such termination of water service. When in the sole judgment of the Manager it is practicable to do so, advance notice of any such termination of water service will be furnished to Water User. In no event shall any liability accrue against District or any of its officers, agents, or employees, for damage, direct or indirect, arising from such terminations of water service.

20. APPEAL OF DECISION OF MANAGER

In event the Water User disagrees with a decision made by the Manager in administering the Rules and Regulations, he shall have the right to appeal to the Board within ten (10) days after notice of such decision. Appeal shall be submitted in writing to the Board and shall specifically set forth the decision being appealed and shall give reasons for said appeal. Appeals shall be considered at the regular meeting of the Board next after ten (10) days following the appeal.

Notwithstanding the foregoing appeals procedure, if any person believes the District has discriminated against him/her on the grounds of race, color, or national origin in providing services and benefits, he/she may file with the Office of Equal Opportunity, U. S. Department of Interior, Washington, D.C. 20240, or with the Manager of the District, a complaint as provided by the 1964 Civil Rights Act and implementing regulations (43 CFR 17). Copies of any such complaint filed with the Manager shall be forwarded to the U. S. Department of Interior within ten (10) days of receipt and shall be kept on file by the District. The District shall keep a log of all such complaints received.

21. MISCELLANEOUS

(a) The Rules and Regulations shall become effective immediately and may be added to, amended, or repealed at any time by resolution of the Board.

(b) If any provision of the Rules and Regulations, or the application thereof to any person or circumstance, is held invalid, the remainder of the Rules and Regulations and the application thereof to other persons or circumstances shall not be affected thereby.

(c) Words used herein in the masculine shall include the feminine or an entity.