

## COMPANY PROCEDURE

### ISSUANCE OF WILL-SERVE LETTERS

The Board of Directors of AFUERA MUTUAL WATER COMPANY (the “Company”), pursuant to its powers and duties set forth under Article VII of the Second Amended and Restated Bylaws of the Company (the “Bylaws”), adopts this procedure to govern the issuance of will-serve letters to Owners of parcels within the Company’s Service Area (this “Procedure”). “Owner,” “Service Area,” “lot” and “parcel” shall have the same meaning herein as set forth in the Bylaws. The Board shall make this Procedure available for review at the Company office and shall provide a copy to each existing Owner.

1. **Application for Issuance.** To initiate the issuance process, an Owner (the “Applicant”) must apply to the Company for the issuance of a will-serve letter (the “Application”). The Application must be addressed to the Company or a director or officer of the Company, and include the following:

- (a) the name of Applicant;
- (b) evidence of Applicant’s ownership of the parcel to be served;
- (c) the reason for the request (e.g., delivery of water to a parcel to be created upon the subdivision of an existing parcel within the Service Area);
- (d) the Assessor’s Parcel Number (“APN”) and legal description of parcel to be served; provided that, if the subject parcel has yet to be created, Applicant may provide the APN and legal description of the existing parcel;
- (e) the written agreement of Applicant required under Section 2, below.
- (f) an application fee of \$250, payable to the Afuera de Chorro Water Company

The Board may not accept any Application that fails to provide all information required under this Section 1 and the agreement to reimburse costs required by Section 2. Upon receipt of an incomplete Application, the Board shall return the Application to Applicant, noting any such deficiencies.

2. **Costs.** When an Applicant submits an application, the Applicant must agree in writing to pay all reasonable costs incurred by the Company in evaluating and taking action on the Application. The obligation to reimburse the Company is absolute irrespective of the action taken by the Company. The Applicant will be required to acknowledge that a number of factors, including, but not limited to, an insufficient water supply, the enactment of, or changes to, local, state and federal laws and regulations, Applicant’s failure to obtain necessary government approvals or authorizations, or the occurrence of natural disasters may prevent the

Company from providing the service requested or make such service otherwise inappropriate or unnecessary.

3. **Grounds for Issuance.** Upon receipt of an Application that satisfies the requirements of Section 1, the Board shall take action within thirty (30) days if the Company has reliable and current engineering data that allows the Company to make one of the three findings set forth in this Section. If, within (30) days the Board determines that it does not have adequate information to make the findings then the Company shall promptly engage an engineer to review the water system and provide the necessary additional information. The Board shall make all findings based upon substantial evidence documented in the Statement of Findings accompanying the decision to grant or deny a will serve letter.

(a) **Available Capacity.** If the Board finds that (i) the Company has adequate water supply available to it to meet the projected demand of the Applicant parcel in addition to the Company's existing customers, and (ii) the Company's water supply facilities and water distribution facilities are, in their current condition, each capable of delivering water for domestic use to the subject parcel, then the Board of Directors shall issue a will-serve letter pursuant to Section 5, below.

(b) **Potential Capacity.** If the Board finds that the Company water supply available to the Company is sufficient to supply the projected demand of the Applicant Parcel in addition to the Company's existing customers but either the water supply facilities are, in their current condition, insufficient to provide the water required by the Applicant parcel, or improvements to the water delivery facilities would be required to make delivery to the Applicant Parcel, then the engineer shall provide an estimate of the costs and extent of the necessary improvements. Should Applicant agree to pay the costs of improving the system and facilities as necessary to provide service to the Applicant parcel without reducing service or reliability for the existing customers, then the Board of Directors shall issue a will-serve letter conditioned on Applicant's payment of such costs and the completion of the necessary improvements, pursuant to Section 4, below.

(c) **No Capacity.** If the Board finds that the Company's available water supply is insufficient to serve the subject parcel, the Board of Directors shall deny the Application.

4. **Allocation of Costs.** If the Board finds that an improvement of capacity in the water supply or water distribution facilities will serve more than the Applicant's parcel then the Board will offer the Applicant a facility reimbursement agreement that will entitle the Applicant to reimbursement of the pro-rata portion of the cost of the service extension as other parties hook up to the service extension and pay their pro-rata share of the costs paid by the initial applicant. The Company will not be responsible for any amount of the cost of a service extension to serve an Applicant for water service unless the Company determines that an

addition to the water supply or water distribution facilities provides increased reliability or other service enhancements that are appropriately spread to the existing customers.

5. **Issuance.** Where the Board's findings support the issuance of a will-serve letter, and Applicant satisfies all other conditions required by this Procedure and pays all amounts owed for processing the Application, the Board of Directors shall issue a will-serve letter to Applicant substantially in the form of the letter set forth on **Exhibit A**, attached to, and incorporated in, this Procedure by this reference.

The Board of Directors of the Company adopts this Procedure this \_\_\_\_ day of \_\_\_\_\_, 2007 to be effective as of the same date.

BOARD OF DIRECTORS

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**Exhibit "A"**

**Sample Will-serve Letter**