

Original Sheet No. 1
WN U-2

For Commission's Receipt Stamp

NAMING RATES FOR

HARBOR HILLS WATER SYSTEM, INC.

Water Service

At

Freeland, Washington

And

CONTAINING RULES AND REGULATIONS

GOVERNING SERVICE

Issued April 9, 2007

Effective May 1, 2007

Issued by Harbor Hills Water System, Inc.

By Terry Otey

Title President

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**WATER SERVICE
RULES AND REGULATIONS**

Rule 1 - Adoption of Rules of Regulatory Authorities

The rules regulating water service prescribed by the Washington Utilities and Transportation Commission, after this called the Commission; are adopted and by this reference are made a part of this tariff.

Rule 2 - Schedules and Conditions

The schedules and conditions specified in this tariff for water service are subject to change according to the public service laws of the State of Washington. The amount of water furnished is subject to the Department of Health required standards of quantity and quality. All schedules for water service apply to applicants for or customers receiving water service from the utility.

Rule 3 - Application and Agreement for Service

Each prospective customer desiring water service will be required to sign the utility's standard form of application before service is supplied.

An application for service is notice that the prospective customer desires water service from the utility and represents agreement to comply with the utility's rules and regulations on file with the Commission and in effect at the time service is furnished. In the absence of a signed application for water service, the delivery of water by the utility through a standard connection and the taking thereof by the customer will constitute an agreement by and between the utility and the customer for the delivery and acceptance of service under the applicable rate schedule(s) and these rules and regulations.

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WATER SERVICE
RULES AND REGULATIONS

Rule 4 - Definition of Service

Service will be supplied as described in these rules and under the applicable rate schedule(s). Service will be supplied only to those who secure their source of water exclusively from the utility, unless otherwise provided under written contract. Water service will be used only for the purpose specified in the service agreement and applicable rate schedule(s). A customer will not sell or permit others to use such service, unless authorized to do so under written contract with the utility.

The customer will not increase demand or use of service as stated in the application for service without giving prior notice of such increase. In the event of such increase, the customer is required to pay the utility's regularly published rates for the increased service from the date of connection and use of the service.

Whenever the customer wants to permanently discontinue the use of water through any fixtures mentioned in the original application, the customer must cause the fixture to be removed and the branch pipe or service supplying the same to be capped or plugged, and must notify the utility in writing before any reduction in charge will be made.

Rule 5 - Reconnection Charge

A reconnection charge, as specified in **Schedule A**, will apply for any reconnection of the customer's service to the utility's distribution system. Such charge is to apply only in cases where service has been discontinued for non-payment of delinquent account, request of the customer (seasonal reconnection), refusal to make proper repairs or similar cause. No charge will be made for reconnection of service if the shut-off was made for the convenience of the utility in making repairs, changes, etc. The utility will restore service when the cause of discontinuance has been removed and payment of all proper charges due from customer have been made.

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WATER SERVICE
RULES AND REGULATIONS

Rule 6 - Installation of Meters and Service Pipe

The utility will construct service connections of a proper size from its distribution mains to the customer's property. The utility reserves the right to refuse to construct a service connection to any property if the applicant's pipes are not properly constructed.

The utility may meter any flat rate service at its discretion. The utility's metered service rates will become effective, after the customer has received 30 days' written notice. All meters so placed will be installed and maintained by the utility without direct retrofit cost to the customer.

A meter will be installed upon any flat rate service at the request of the customer, provided, that the actual cost of the meter installation is paid by the customer at the time of the installation and before the water is turned on. The meter will be installed and maintained by the utility without cost to the customer.

Rule 7 - Distribution Main Extension

Utility Allowance - Where elevation and construction conditions allow and one or more bona fide prospective permanent customers request a main extension, the utility will construct and pay for the same, if the utility has sufficient capacity available to meet Department of Health standards of quantity and quality.

Customer Pro-Rata Share - The cost of main extension in excess of the estimated customer(s) revenue for three years (utility allowance) must be paid by the prospective customers in advance.

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**WATER SERVICE
RULES AND REGULATIONS**

Rule 7 - Distribution Main Extension (cont'd)

Construction Contract - No main extension will be considered as coming under this rule where the total cost of the main extension is greater than the estimated customer(s) revenue for six years. Water main extensions and/or fire hydrants will be installed after contracts have been approved by the Washington Utilities and Transportation Commission.

The purveyor is in favor of establishing late comer agreements for utility extensions to extend to serve a residence outside the existing service area. For example the pipeline passes an additional nine lots. The Person requesting service will be required to pay 100% of the line extension and file a late-comer agreement with the WUTC.

When each of the other nine lots request water service, they will have to pay the water company a facility fee plus 10% of the line extension cost to be forwarded to original party who paid for the construction.

Rule 8 - Responsibility for, and Maintenance of, Services

The point at which water will be delivered to and received by the customer will be on the property line (Point of Delivery) of the customer's property at a point designated by the utility. The utility will install its meter or other connection device at the Point of Delivery, except, at its option, the utility may install its meter at some other agreed point on the property of the customer, provided that in such event the property line will nevertheless be deemed the Point of Delivery.

The customer will assume all responsibility after Point of Delivery for water supplied by the utility. The utility will be exempt from all liability for loss or damage caused by leakage or escape of water furnished by the utility, after water has passed the Point of Delivery.

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**WATER SERVICE
RULES AND REGULATIONS**

Rule 8 - Responsibility for, and Maintenance of, Services (cont'd)

All service pipes and fixtures on the customer's side of the Point of Delivery shall be provided and must be maintained and protected from freezing at the customer's expense. Where there are leaking or defective pipes or fixtures, the water may be turned off at the option of the utility until properly repaired. The utility may require any service to be equipped with a stop and waste cock to be used during freezing weather instead of permitting water to run continuously from faucets.

Rule 9 - Access to Premises

The utility's regularly authorized agents or employees will have access to the premises of the customer at reasonable hours for meter reading, inspection, connection, disconnection, repair or removal of the utility's property.

Rule 10 - Interruption to Service

The utility will make a diligent effort to render uninterrupted service and supply of water. In cases where shut-off is necessary for repair, reconstruction, damage prevention or similar cause, the utility will give one day advance notice to its customers of such scheduled shut-off. However, the utility will not be responsible for any damage that may result from any cessation of services such as above outlined, nor for failure to give notice of shut-off when circumstances are such that it is impossible to give notice as stated above.

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WATER SERVICE
RULES AND REGULATIONS

Rule 11 - Payment of Bills

All bills are due and payable upon receipt and are considered delinquent no less than fifteen (15) days after the date mailed. Bills will be deemed received upon personal delivery to customer or three (3) days following the deposit of the bill in the United States mail to the customer's last known address. Where the meter has not been read a minimum bill will be rendered and adjusted when the next succeeding meter reading is available. All past due (delinquent) accounts will be charged an interest rate of 18% per annum (1.5% per month on unpaid balances).

Rule 12 - Deposits

The utility may require a deposit in situations where a customer's service has been disconnected for nonpayment of amounts owed to the utility or when a customer is unable to establish or maintain credit with the utility.

The deposit will not be more than an average three-twelfths of estimated annual billing.

Interest on deposits will be accrued at the rate calculated at the rate set annually by the WUTC. Interest is computed from the time of deposit to the time of refund and is compounded annually.

Deposits, plus any accrued interest, less any amount owed for service rendered, will be refunded to the customer: 1) where the customer has for 12 consecutive months paid for service when due or 2) upon termination of service.

In addition, the utility will comply with all provisions of the Commission's deposit rules.

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**WATER SERVICE
RULES AND REGULATIONS**

Rule 13 - Responsibility for Delinquent Accounts

The utility will not refuse or discontinue service to an applicant or customer, who is not in arrears to the utility even though there are unpaid charges due from the premises occupied by the applicant or a customer, due to the unpaid bill of a prior tenant unless there is evidence of intent to defraud.

The utility may not permanently deny service to an applicant because of a prior obligation to the utility.

Rule 14 - Discontinuance of Service

The utility reserves the right to discontinue a customer's service if the customer:

- (a) Fails to maintain his connections, service pipes, or fixtures in good order.
- (b) Damages any service pipe, meter, curb stop valve, seal or other facilities of the utility.

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**WATER SERVICE
RULES AND REGULATIONS**

Rule 14 - Discontinuance of Service (cont'd)

- (c) Vacates the premises.
- (d) Willfully wastes water through improper or imperfect pipes, fixtures or otherwise.
- (e) Fails to make or renew any required deposits, or fails to make payments for water service or any other proper charges accruing under the applicable rate schedules, when due.
- (f) Refuses to allow an employee of the utility to have reasonable access to the premises for the purpose of inspecting the facilities, or for testing, reading, maintaining or removing meters.
- (g) Makes fraudulent use of service.
- (h) Violates any of these rules and regulations.
- (i) Gives written notice to utility of their intention to discontinue service.

The right to discontinue service may be exercised whenever and as often as any of the foregoing situations occur, and neither delay nor omission by the utility to enforce this rule any time will be deemed a waiver of its right to discontinue service.

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WATER SERVICE
RULES AND REGULATIONS

Rule 14 - Discontinuance of Service (cont'd)

A minimum of eight (8) working days' written notice will be given a customer before service is discontinued, except in the case of danger to life or property. Before disconnecting service, the utility must also attempt to contact the customer either in person or by telephone. If telephone contact is elected, at least two attempts must be made during regular business hours. If a business or message number is provided by the customer, the utility must try to reach the customer at that number. A log of the attempts must be kept by the utility showing the telephone number called and time of the call. If a notice is left at the customer's primary door instead of telephone contacts, service may not be discontinued before 5 p.m. of the 1st day following delivery.

If service is not discontinued within ten (10) working days of the date on the notice for disconnection, that disconnection notice will become void and a new notice must be provided before the service can be disconnected. However, if the customer has arranged for payments to avoid disconnection of service, a new notice is not required if the customer fails to keep the payment arrangements.

When a utility employee is dispatched to disconnect service, that person shall be required to accept payment of a delinquent account and reconnection charge as specified in **Schedule A**. If amount owing is tendered in cash, utility employee will not be required to dispense change for excess of the amount due and owing. Any excess payment will be credited to the customer's account. The utility will restore service when the cause of discontinuance has been removed and payment of all proper charges due from customer have been made.

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WATER SERVICE
RULES AND REGULATIONS

Rule 15 - Sprinkling and Irrigation

Water used for sprinkling and irrigation must be paid for at the regular prescribed tariff rates for such service. The hours for such use will be as prescribed from time to time by the utility, subject to protest by any customer affected and reviewed by the Commission. During peak use months (June through September), and at such other times when demand may be high, the utility may prohibit or limit sprinkling and irrigation to preserve water for domestic consumption.

No person will use water for sprinkling or irrigation purposes during any fire in the area, and all sprinkling or irrigation must be stopped immediately when a fire alarm is sounded. Use of water may be resumed after the fire has been extinguished.

Rule 16 - Rates

Rates for water service and supply are those published in the utility's tariff on file with the Commission. Unless otherwise stated in this tariff, the rates apply to a single service, to one customer at one premises. Where two or more families with separate housekeeping establishments occupy the same or separate dwellings, each family using water is considered a separate customer. Each separate housekeeping establishment or business, using water service, will each be considered a customer.

When conditions require that more than one customer be supplied through one meter, (Accessory Dwelling Units) each customer will be charged the minimum charge as provided by the schedule of rates. If the consumption as shown by the meter exceeds the allowance for the minimum charge multiplied by the customers, the excess consumption charge will be computed at the regular rates for one customer and the amount prorated equally to the several customers, or otherwise as may be agreed among themselves. Water service must be subscribed to on an annual basis.

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**WATER SERVICE
RULES AND REGULATIONS**

Rule 17 - Account Set-Up Charge/NSF (Non-Sufficient Funds) Charge

An account set-up charge as specified in **Schedule A** will be made for each new account or change of account responsibility on an existing service. Such charge will be included in the initial billing to the customer. This charge includes the utility dispatching an employee to establish a base meter reading. This account set-up charge does not apply to:

- (a) Installation of a new meter.
- (b) Temporary or seasonal reconnection is made.
- (c) Owners or agents assuming temporary responsibility for service to vacant premises.

An NSF check charge as specified in **Schedule A** will be made for handling customer checks that have been returned by the bank as NSF or account closed. This charge will be applied to the next billing to the customer.

Rule 18 - Water Availability Letter Charge

Any prospective customer seeking a water availability letter or certificate of water availability from the utility must first pay the appropriate charge as specified in **Schedule A**. The water availability letter will include the date issued and the date of expiration. Water availability letters will be valid for no more than one (1) year, or until the expiration of the associated building permit, whichever occurs last.

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SERVICE AREA

Water System List:

	<u>System Name</u>	<u>County</u>	<u>DOH</u> <u>WFI #</u>
	Harbor Hills Water System	Island	33860V

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SCHEDULE NO. 1
READY TO SERVE SERVICE

Available

Within the limits of all Water Service Areas and at utility's option and capability to maintain Department of Health standards of quantity and quality.

Applicable

Applicable to domestic residential customers, where meters have not yet been installed, Facility charge has been paid and service line to property has been completed.

Conditions

The charge for this service is not subject to cancellation or reduction for seasonal or temporary periods, by the customer. Unless the customer wish to relinquish his ready to serve status, thereby voiding the water company's obligation to serve. This charge will be monthly for this class of service. If charge not paid in 90 days the ready serve status is cancelled and the obligation to serve shall be voided and the customer will go on a waiting list for water availability and will only be serve at a later date should water be available.

Applied to those parcels or lots owners who made application for water service and from whom the Company has accepted the application for service and installed such service connection capable of providing water service to the property line of the lot. The party will be assessed a monthly five dollar (\$5.00) Ready to Serve Charge until such time as the customer activates water service. When the party activates water service they will be subject to the monthly metered rates and surcharges as provided in Company's tariff.

Monthly Rates

Each (lot) customer
Billed every 2 months

\$5.00 per month
Plus State Utility Tax

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SCHEDULE NO. 2

METERED RATE SERVICE

Available

Within the limits of all Water Service Areas and at utility's option and capability to maintain Department of Health standards of quantity and quality.

Applicable

Applicable to domestic residential customers served by the utility on a metered basis.

Conditions

The charge for this service is not subject to cancellation or reduction for seasonal or temporary periods, unless seasonal rates apply per this tariff. This charge will be the monthly minimum bill for this class of service, billed every (2) two months.

Monthly Rates

Each connection or customer

Base Rate	\$20.00
Usage:	
0- 5,000 gallons, per 1,000 gallons	\$ 1.50
5,001-10,000 gallons, per 1,000 gallons	\$ 2.50
Greater than 10,001 gallons, per 1,000 gallons	\$ 3.50

All rates are plus State Utility Tax

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SCHEDULE NO. 3

FACILITIES CHARGE

Within the limits of all Water Service Areas and at utility's option and capability to maintain Department of Health standards of Quantity and Quality.

Applicable

Applicable to domestic residential customers, in all areas where the water company has the service area.

Conditions

A facilities charge will be charged at the time a customer requests water availability for specific lot, and block in service area. The facility charge is for a specific lot and block, as specified by customer in their request for service. Once a facilities charge is paid by a customer, the customer becomes a ready to serve customer until a meter is installed. Customer at any time may relinquish their water facilities charge to the water company. They will no longer be billed for ready to serve, but this lot and block for this customer will not be served by the water company in the future, thereby voiding the water company's obligation to serve, by surrendering facilities charge paid. A Customer can however transfer their facilities charge to another lot if they are the owners of both lots and, provided the water lines are installed already, which would result in the facilities charge being applied to the lot here it is transferred and original lot on which the facilities charge was paid, would no longer have a paid facilities charge of record. The reason for this policy of transferring facilities charge is the county's aggregation policy on Whidbey Island which became effective within the last few years.

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SCHEDULE NO. 4
CAPITAL IMPROVEMENT SURCHARGE

Applicable

All customer of Harbor Hills Water System, Inc.

Rate

Each utility customer on this system \$5.00 per month

Purpose

This surcharge is to fund the installation of six (6) new fire hydrants; install 3 new pressure reduction stations on the east side of Honeymoon Bay Road to reduce high water pressures; new isolation valves for fewer service interruptions; main line replacement and ozone treatment of the water to remove the iron and manganese from the water.

Surcharge to expire July 1, 2020 or upon recovery of \$638,156 loan principal, interest charges and state excise taxes which ever occurs first. Surcharge may be paid in a lump sum or \$1,200 per customer and save interest costs. After each year the lump sum payment will be increased due to ongoing interest cost at a rate of 5% per year.

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Title President

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SCHEDULE A

ANCILLARY CHARGES

<u>Reference</u>	<u>Description</u>	<u>Charge</u>
Rule 5	Reconnection Charge	\$ 50.00
Rule 17	Account Set-up Charge	\$ 0.00
Rule 17	NSF Check Charge	\$ 25.00
Rule 18	Water Availability Letter Charge	\$ 0.00

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