

EXHIBIT 10-B

RULE 23 - ACTION ON APPLICATION FOR A WATER PERMIT TO CONNECT TO OR MODIFY A CONNECTION TO AN EXISTING WATER DISTRIBUTION SYSTEM

A. PROCESS

1. New and Amended Water Permit

- a. The General Manager shall review the application and determine whether the Applicant has met the criteria for a Water Permit. If additional information is required to complete the application, the Applicant shall be notified in writing within thirty (30) days of the initial application.
- b. The General Manager shall determine if the District has temporarily delayed the issuance of new Water Permits pursuant to Regulation XV. If a temporary delay is in place that affects the application, no Water Permit shall be processed and the application shall be returned to the Applicant. Exceptions to this rule shall be made for Permit applications for a new water meter for a fire suppression system or to individually meter uses previously metered by one water meter (i.e. meter split) unless otherwise determined by action of the Board of Directors.
- c. The General Manager shall not process a Water Permit when any portion of the Site lies outside of the affected Water Distribution System Service Area.
- d. The General Manager shall not process a Water Permit when there is a previously issued Permit for a completed Project on the application Site and a final inspection by the District has not been conducted, or where the property is not in compliance with District Rules and Regulations or conditions attached to previous District Permits.
- e. The General Manager shall calculate the appropriate Capacity Fee for the Project using Rule 24, Calculation of Water Use Capacity and Capacity Fees.
- f. When the application involves an Intensification of Use, the General Manager shall ensure that the total quantity of water permitted for all projects, including the current application, within a Jurisdiction shall not exceed that Jurisdiction's total Allocation. Similarly, for Projects not subject to a Jurisdiction's Allocation, the General Manager shall ensure that the total quantity of water permitted for all Projects, including the current application, does not exceed the production limit and/or Connection limit of the Water Distribution System serving the Project Site.
- g. When the Adjusted Water Use Capacity as determined in Rule 24 is a positive number, that amount of water shall be deducted from the

EXHIBIT 10-B

Jurisdiction's Allocation or Water Entitlement as authorized on the Water Release Form. If additional water is required to meet the Adjusted Water Use Capacity of the Project and the Applicant is unable to reduce the Adjusted Water Use Capacity, the application shall be denied and returned to the Applicant to secure additional water resources.

- h. Intensification of Use allowed by a Water Permit shall result in a deduction from a Jurisdiction's Allocation (for Projects served by the Main California American Water System), from a Water Entitlement available to the property, or from the total available production limit for that Water Distribution System. Each Project which allows new, modified, or Intensified Water Use, shall require a Water Permit.
- i. Water Meters maintained by the Water Distribution System Operator shall be installed for each Residential and Non-Residential water User except as allowed in 23-A-1-i-(3), (4), and (5).
 - (1) A Non-Residential User may extend water use to another Non-Residential User within an existing structure unless the Remodel or Addition requires a Water Permit for a Change of Use (as defined in Rule 11).
 - (2) A Change of Use as defined in Rule 11 shall trigger the requirement for a separate Water Meter.
 - (3) Users of multiple structures on a Site occupied by one Non-Residential User may apply for a variance of this Rule.
 - (4) The General Manager shall allow sub-metering for each Multi-Family Dwelling, Mixed Use, or Non-Residential User when the installation of separate Water Meters is not feasible and the User is utilizing Water Credits on a Site that has a Connection. Applications for sub-metering of Single Family Dwellings will be considered by the General Manager when the Jurisdiction confirms there is no potential that the sub-metered User could be located on a separate Site through subdivision or transfer of ownership of a portion of the Site. Approval of a Water Permit allowing sub-metering under this provision shall require recordation of a deed restriction on the title of the property that shall encumber current and future Site owners to comply with the following conditions:
 - a. Site's owner shall have Water Meters installed for each sub-metered User by the Water Distribution System Operator within ninety (90) days of the conclusion of a Connection moratorium. Once Water Meters maintained by the Water Distribution System Operator

EXHIBIT 10-B

have been installed, the deed restriction shall be removed;

- b. Annually at the conclusion of the Water Year, and within 30 days of change in tenancy, the Site's owner shall provide the General Manager with individual monthly consumption for each User in a format acceptable to the District. Information shall identify the User of the sub-meter (e.g. apartment number or lease space number) and the number of residents in each Residential Dwelling Unit or the type of use according to Rule 24, Table 2, for each Non-Residential User;
 - c. During Stages of The 2016 Monterey Peninsula Water Conservation and Rationing Plan (Regulation XV), sub-metered consumption shall be provided to the District monthly or more frequently if requested by the General Manager;
- (5) The Board shall consider variances to this Rule when the installation of separate Water Measuring Devices is not feasible due to Special Circumstances. In considering a variance, the Board shall determine if another type of Water Measuring Device is appropriate and shall make reporting of consumption a condition of approval.
- j. When the application involves recordation of notices on the title of the property, all notices shall be recorded by the District prior to final issuance of a Water Permit. Additional information (e.g. trust documents, Articles of Incorporation) may be requested to verify ownership and to facilitate preparation of District notices.
 - k. The General Manager shall collect payment of the appropriate Capacity Fee and processing fees and shall issue a receipt prior to final issuance of a Water Permit.
 - l. When the application requests a Permit to install a new water meter for a fire suppression system, to extend a water main within the boundaries of the Water Distribution System, or to individually meter uses previously metered by one water meter (i.e. meter split), there shall be no processing fee.
 - m. The General Manager shall mark the Construction Plans and the Landscape plans with the District's Water Permit Approval Stamp and shall sign the stamp and include the Water Permit number and date issued. An electronic copy of the Landscaping plan shall be retained by the District.

EXHIBIT 10-B

- n. The General Manager shall review the final Water Permit with the Applicant or his agent prior to requesting a signature on the Water Permit and releasing the Permit and Construction Plans.
 - o. Following Project completion, a final inspection of the Project shall be conducted by the District. If the completed Project varies from the permitted project, application for an amended Water Permit is required. When the completed Project has fewer fixture units than the number permitted (Residential Water Permits), or has a smaller Water Use Capacity than permitted (Non-Residential Water Permits), the Applicant shall not be required to secure the signature of the authorized official of the applicable Jurisdiction on the Water Release Form.
 - p. Notice by the District to correct any discrepancy shall be provided on the inspection report to the Person contacted at the Site and by regular mail to the owner of record. Notice of violations that may result in a debit to a Jurisdiction's Allocation shall also be mailed, faxed or emailed to the Jurisdiction. Such notice shall include a date by which any corrections and amendments shall be made. Thereafter, the General Manager may adjust the charge and debit the water from a Jurisdiction's Allocation or cause a refund of Capacity Fees paid and water previously debited from an Allocation to reflect the Project as built rather than the Project as permitted.
2. Temporary Water Permits.
- a. The General Manager may issue a Water Permit for temporary water use when the Applicant has submitted a written request for a Temporary Water Permit, including an explanation of the type of use and quantity of water requested and a signed Water Release Form from the Jurisdiction.
 - b. The Applicant for a Temporary Water Permit shall acknowledge in writing that the Temporary Water Permit does not confer a property interest to obtain or use water after expiration and/or Revocation of the Permit. The terms and conditions of the Temporary Water Permit shall be recorded on the title of the property for the duration of the Temporary Water Permit.
 - c. The term of a Temporary Water Permit shall not exceed twenty-four (24) months.
 - d. The General Manager shall process a Temporary Water Permit pursuant to the process in Rule 23-A-1.
 - e. Following removal of the temporary use and verification by the District, water temporarily debited from the Jurisdiction's Allocation will be returned to the Jurisdiction and the Capacity Fee paid for the temporary

EXHIBIT 10-B

use will be refunded to the current property owner.

- f. A Notice of Removal of Deed Restriction shall be recorded by the District at the conclusion of the Temporary Water Permit process.

3. Conditional Water Permits.

A category of Water Permits known as Conditional Water Permits shall be available to a limited group of Applicants under restricted circumstances and only with the Jurisdiction's endorsement. A Conditional Water Permit creates a record that specifically quantifies the increment of water assigned for use at the location designated by the Jurisdiction and debits the Jurisdiction's Allocation. Conditional Water Permits are available to those Projects that are unable to meet all of the criteria of Rule 23-A-1 and meet the standards of this Rule.

- a. The following categories of Projects may obtain a Conditional Water Permit:
 - (1) Large Projects - Commercial Projects with a projected water demand of over one Acre-Foot annually.
 - (2) Government Projects - Projects owned and operated or financed by a Governmental agency.
 - (3) Projects with Complex Financial Underwriting - Determined at the discretion of the Board of Directors.
- b. The Conditional Water Permit may be issued when the following criteria have been met:
 - (1) There is no Water Supply Emergency;
 - (2) There is sufficient water supply in the Jurisdiction's Allocation;
 - (3) The governing body of a Jurisdiction submits a written request that a Conditional Water Permit be issued to a Project;
 - (4) A completed Water Release Form for the Project is submitted which includes the authorizing signature of the Jurisdiction to debit its Allocation;
 - (5) Payment of all Capacity Fees and fees has been received by the District.
- c. A Conditional Water Permit shall be numbered with the next sequential alpha and numeric number beginning with C-001, C-002, etc. A Water Permit bearing the Permit number referenced in the Conditional Water

EXHIBIT 10-B

Permit shall be maintained unsigned in the District's file.

- d. The Applicant's notarized signature is required on the Conditional Water Permit form before the General Manager's approval.
- e. A Conditional Water Permit shall be valid after the General Manager has signed the Permit.
- f. An amount of water approved for use by the Jurisdiction for the Project will be debited from the Jurisdiction's Allocation at the time the Conditional Water Permit is issued.
- g. A Conditional Water Permit does not allow the setting of any water meter or the start of any new or expanded water use until the conditions of the Permit have been met and a Water Permit has been issued pursuant to Rules 21 and 23.
- h. Each Conditional Water Permit is time limited. The Conditional Water Permit shall expire on December 31st of the year following issuance.
- i. A written request for extension of the Conditional Water Permit may be requested and shall require Board authorization for extension. Requests for extension must be received no earlier than ninety (90) days and no later than forty-five (45) days prior to expiration and must include an explanation for the request and the Jurisdiction's agreement that the Board should grant an extension.

B. MANDATORY CONDITIONS, ACTION ON APPLICATION FOR A WATER PERMIT TO CONNECT TO OR MODIFY AN EXISTING WATER DISTRIBUTION SYSTEM

1. Construction Affecting the Interior or Exterior of an Existing Structure. All construction within or to an Existing Structure shall be subject to the following conditions:
 - a. The project Site must meet all applicable water conservation requirements of Regulations XIV and XV.
 - b. Other conditions may be placed upon approval as indicated in the applicable rule governing the Water Permit process.
 - c. The Applicant shall arrange for a final inspection by the District upon Project completion. District staff shall review the Project, water fixtures, and Landscaping for compliance with the Water Permit.
 - d. Permit amendments or other actions required as a result of a final inspection shall be completed within thirty (30) days of the date of the

EXHIBIT 10-B

final inspection.

- e. All Water Permits shall include a Notice and Deed Restriction titled "Provide Public Access to Water Use Data." There shall be no additional charge for this deed restriction.

2. Construction of a New Structure.

- a. All new water use permitted by the District shall install a separate water meter to each User.
- b. All Non-Residential New Structures that include irrigated landscapes of 1,000 square-feet or greater shall utilize a separate Water Meter supplied by the Water Distribution System to measure all exterior water uses.

All Residential irrigated landscapes of 5,000 square-feet or greater shall install a sub-meter to measure outdoor water use.

- c. All New Structures receiving a Water Permit after January 1, 2009, shall have separate water supply lines that tee off after the Water Meter to supply fire suppression service and domestic service. This configurations shall facilitate installation of a Flow Restrictor in the domestic service without interfering with the fire suppression service.
- d. All Water Permits requiring deed restrictions shall also include a Notice and Deed Restriction titled "Provide Public Access to Water Use Data."

3. Construction in the Sleepy Hollow Subdivision of Carmel Valley.

- a. All exterior water use shall be supplied by the Sleepy Hollow Sub-potable Water system or by an On-Site Well.
- b. Interior water use shall be supplied by California-American Water Company (also known as the Sleepy Hollow Mutual Potable Water Distribution System) by a Master Meter at the subdivision boundary.
- c. Both interior and exterior uses shall be metered by individual water meters.

C. ADJUSTMENT OF ALLOCATION OR WATER USE PERMIT FOR UNUSED WATER CAPACITY

1. Any permitted Water Use Capacity which is not used because of an abandoned, expired, Revoked, returned, or amended Water Permit shall be returned to the applicable Allocation or Water Use Permit.

EXHIBIT 10-B

2. The Owner of any Benefited Property shall be entitled to receive additional Water Permit(s) until the Water Use Permit has been used in full.

Rule added by Ordinance No. 1 (2/11/80); amended by Ordinance No. 2 (3/11/80); Ordinance No. 3 (7/11/80); Ordinance No. 5 (4/13/81); Ordinance No. 6 (5/11/81); Ordinance No. 7 (7/13/81); Ordinance No. 8 (1/14/81); Ordinance No. 9 (2/14/83); Ordinance No. 11 (11/14/83); Ordinance No. 16 (8/13/84); Ordinance No. 26 (9/8/86); Ordinance No. 40 (4/10/89); Ordinance No. 44 (10/9/89); Ordinance No. 60 (6/15/92); Ordinance No. 64 (10/5/92); Ordinance No. 71 (12/20/93); Ordinance No. 77 (8/21/95); Ordinance No. 115 (05/17/2004); Ordinance No. 125 (9/18/2006); Ordinance No. 128 (6/18/2007); Ordinance No. 137 (12/8/2008); Ordinance No. 145 (9/20/2010); Ordinance No. 156 (11/18/2013); Ordinance No. 157 (12/9/2013); Ordinance No. 161 (7/21/2014); Ordinance No. 165 (8/17/2015); Ordinance No. 170 (5/16/2016); Ordinance No. 172 (8/15/2016)