KONA WATER SERVICE COMPANY, INC.

A subsidiary of Hawaii Water Service Company, Inc.

RULES, REGULATIONS, AND RATES FOR WATER AND SEWER SERVICE

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SYMBOLS

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

(C) To signify change in wording of text which may result in change in rate, rule or condition.

(D) To signify discontinued material, including listing, rate, rule or condition.

(I) To signify increase.

(L) To signify material relocated from or to another part of tariff schedules with no change in text, rate, rule or condition.

(N) To signify new material including listing, rate, rule or condition.

(R) To signify reduction.

(T) To signify change in wording of text but not change in rate, rule or condition.

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FOREWORD

These Rules and Regulations have been adopted to establish uniform practices governing water and sewer service; and, to define the obligation of the Company to customers and of customers to the Company.

It is the policy of the Company to render fully satisfactory service to all customers and to encourage courtesy to the public by all its employees. The Company desires to cooperate with customers to eliminate the waste of water and thus minimize charges to the customer. Customers are advised to obtain information from the Company on the availability of water and pressure conditions; and availability of sewer service, acceptable and unacceptable discharge practices, and other pertinent data to assure satisfactory service.

It is the Company's objective to deliver potable water to customers at a minimum cost consistent with the Company receiving a reasonable rate of return. As such, the Company will comply with the U.S.E.P.A. Safe Drinking Water Act and all State Department of Health drinking-water program requirements

It is the Company's objective to provide sanitary sewer service to single family, multi-family, commercial and public authority customers of a size that makes a sewer system desirable or required, at a minimum cost consistent with the Company receiving a reasonable rate of return. As such, the Company will comply with State Department of Health Wastewater Treatment and Discharge Requirements.

SECTION A. GENERAL SERVICE RULES AND REGULATIONS

COVERING SERVICE TO ALL CUSTOMERS

RULES I - XII

RULE I
DEFINITIONS

For the purpose of these Rules and Regulations, unless it is plainly evident from the context that a different meaning is intended, certain words and phrases used herein are defined as follows:

1. "Company" shall mean the KONA WATER SERVICE COMPANY, INC., a Hawaii corporation.

2. "Company's sewer system" means the system owned and operated by the Company.

3. "Company water system" means the potable water system owned and operated by the Company.

4. "Cost of service connection" shall mean the sum of the cost of the labor, materials, transportation, equipment, and road repair, if any, and other incidental charges necessary for the complete installation of a service connection, including the cost of the meter.

5. "Customer" shall mean the person or persons, firm, corporation, association, or governmental department, whether owner or tenant, whose name(s) appear on the records of the Company as the party(ies) receiving service and is responsible and liable for payment of charges for services provided by the Company.

6. "Customer's supply pipe" shall mean the pipe extending from the shut-off valve to the customer's facility.

7. "Customer sewer system" shall mean the sewer line running to and from the drains within the customer's property which receive and pass the discharge from waste and other drainage pipes of the customer to the Company's sewer system.

8. "Garbage" shall mean solid wastes resulting from preparing, cooking and dispensing food, and from handling, storing, and selling produce.

9. "Garbage properly shredded" shall mean garbage that has been shredded to such a degree that all particles can be carried freely under normal flow conditions in the Company's sewer system.

10. "Main" or "main pipe" shall mean the Company's supply or distribution pipe to which service connections are made.

11. "Notice to stop" means oral or written notice to the Company by a customer that the customer wishes to discontinue service. Oral and written notice will be received only during business hours, Monday through Friday not including holidays.

12. "Primary sewer collection system" means that portion of the Company's sewer collection system that collects sewage from several residential subdivisions and commercial areas.

13. "Secondary sewer collection system" means that portion of the Company's sewer collection system that collects sewage from within an individual residential subdivision and/or commercial area.

14. "Service" shall include connections for potable water and/or sewer treatment service, and may apply to one or more type of service, and individually or collectively for each individual customer.

15. "Service connection" shall mean: for water, the main tap, pipe, fittings, and valves, from the water main to and including the meter and shut-off valve; and, for sewer, the point and installation where the Company's sewer is connected to the building's sewer. Meter boxes are normally installed in the public right of way adjacent to the property line.

16. "Slug" shall mean any discharge of water, sewage, or industrial waste which, in concentration of a given constituent or in quantity of flow, exceeds for at least 15 minutes more than 5 times the average flow during a normal 24-hour period of operation.

RULE II
GENERAL CONDITIONS

1. Any prospective customer whose premises are within service limits referred to in paragraph 8 of this rule and which are adjacent to a main, where pressure conditions permit, may obtain water service provided that the Company has a sufficient water supply developed for domestic use, fire protection, and non-potable requirements to take on new or additional service without detriment to those already served.

2. Any prospective customer whose single family, multi-family, public authority, or commercial premises are within the service limits referred to in paragraph 8 of this rule and which can reasonably be connected to the collection system may obtain sewer service from the Company, provided that the Company has sufficient sewage treatment plant capacity to take on new or additional service without detriment to those already served or promised service.

3. The amounts to be paid for service shall be in accordance with the rates on file with the Public Utilities Commission of the State of Hawai`i ("PUC"). The Company will be applying to the PUC for water and wastewater service rate increases from time to time to cover any and costs, including without limitation, costs of a) operation, b) initial capital and plant improvements, c) future capital and plant improvements, d) improvements required for compliance with applicable county, state, federal and agency environmental and other laws and regulations, and e) other reasonable and appropriate items as authorized by the PUC. All costs for initial and future capital and plant improvements are not and have not been included in the purchase price of each owner's parcel.

4. Application for service and service connection shall be made in accordance with Rule IV of these Rules and Regulations. All persons or entities using the Company's system, irrespective of whether or not they have signed an application for service, shall comply with the Rules and Regulations and the rate schedule of the Company. The application for service is merely a request for service and does not bind the Company to serve except under certain conditions and provisions of these Rules and Regulations.

5. Billing, payment of bills, and late payment charges for service shall be in accordance with Rule V of these Rules and Regulations.

6. All water supplied by the Company will be measured by means of suitable meters registering in gallons. When it is impractical to meter the service, a flat rate may be charged.

7. The Company will determine the location of all meters and service connections to its system. All service connections shall become the property of the Company for operation and maintenance after installation and new connections or disconnections may be made thereto by the Company at any time.

8. The Company shall provide services only in the area or areas listed and identified in the Certificate of Public Convenience and Necessity, as amended from time to time, for service issued by the Public Utilities Commission of the State of Hawai`i, as shown in Section E.

9. The Company shall not be obligated to provide service to an applicant for service until the applicant for service has paid, in full, the applicable cost of service connections provided for in Rule IV and in the Company's rate schedules, respectively.

RULE III
CONSERVATION MEASURES AND INTERRUPTION OF SERVICE

1. The Company will exercise reasonable diligence and care to deliver an adequate service to the customer, to avoid shortages or interruptions in service and to maintain adequate pressure in its water mains. The Company will not be liable for any interruption, shortage, insufficiency of supply, lack of or excessive water pressure, or for termination of service without notice for conservation measures and for other reasons deemed necessary and proper, as provided herein.

2. The Company will not be liable for temporary colored or turbid water conditions caused by emergency repair of water mains.

3. Whenever, in the Company's opinion, special conservation measures are advisable in order to forestall water shortage and a consequent emergency, the Company may advise the customer of any reasonable restriction of water to be made (and the anticipated duration of the restriction), followed by restricting the use of water by any reasonable method of control. The foregoing is true notwithstanding any agreements made by the Company related to the amount of water that might be available to an individual owner or customer. In determining the priorities in restricting the use of water, the health and safety of the public shall be given first consideration over other uses.

4. The Company reserves the right at any and all times to shut off service from the mains without notice for the purpose of making repairs, extensions, alterations, or for other reasons. Except in the case of emergency repairs, the Company shall use its best efforts to give the customer at least 24 hours notice before shutting off service. Customers depending upon a continuous supply of water shall provide emergency water storage and any check valves or other devices necessary for the protection of plumbing or fixtures against failure of the pressure or supply of water in the Company's mains. Repairs or improvements will be prosecuted as rapidly as practicable and, insofar as practicable, at such times as will cause the least inconvenience to the customer.

5. As a condition to providing service to a new development, the Company may require the developer to record against the property to be served a Declaration of Covenants, Conditions and Restriction ("CC&Rs") that contains conservation measures and water usage restrictions, including, without limitation, landscaping and irrigation requirements, limitations on water usage for landscaping purposes, the right of the Company to require installation of dual water meters to measure and restrict landscaping water usage, the imposition of additional contributions in aid of construction if water usage exceeds the amounts on which the original contributions in aid of construction were based, and other remedies for failing to comply with such CC&Rs.

RULE IV
APPLICATION FOR SERVICE AND SERVICE CONNECTION

1. Each prospective customer shall be required to sign the standard application form (see Section E) for the service desired, assuming responsibility for the payment of future charges for service at the designated location, before service is activated for any use whatever. The customer signing the application form shall be held liable for the payment of all charges for service at the designated location. Owners of residences where tenants or lessees request service will be required to also sign the standard application form and will be responsible for payment of bills in the event tenant/lessee defaults. An applicant for service may be required to establish or re-establish credit in accordance with these Rules and Regulations. A deposit may be required in connection with service in accordance with paragraphs 2 or 4 of this Rule.

2. Service will be granted, without advance deposit required, to property owners or to those having leases with at least a one-year term. Service may be provided to tenants of shorter duration if a deposit is made equal to three months estimated billing. The deposit shall be subject to the provisions set forth in paragraph 4 of this rule.

3. Charges will begin when the service is established and will continue until Notice to Stop is received from the customer, or until discontinuation by the Company for failure of the customer to comply with the Rules and Regulations. See definition of "Notice to Stop" in Rule I.

4. When an application for service is made by a customer who was responsible for and failed to pay all utility bills previously rendered by the Company, regardless of location or time incurred, the Company may refuse to furnish service to such applicant until the outstanding bills are paid. Further, in this case, the Company may charge a deposit equal to three months estimated billing. Such deposit shall be held for the benefit of customer, with interest accruing at the rate of two (2)% per annum simple interest. Deposit with interest shall be refunded within 30 days after twelve (12) months of timely payment or with the final bill, whichever comes first.

5. A connection deposit of not less than $350.00 and at least equal to the Company's estimate of the set-up cost for each service connection shall be required of the applicant before the connection is installed. If the actual cost of the connection is in excess of the deposit, the applicant will be billed and shall pay for the difference. If the actual cost is less than the deposit, the applicant will be refunded the difference.

6. When the application for service connection has been approved, such connection will be installed by the Company at the expense of the applicant and thereafter will be maintained by the Company at its expense. There shall be one meter for each service connection unless the Company, because of operating necessity, installs two or more meters in parallel. All meters will be sealed by the Company before installation and no seal shall be altered or broken except by one of its authorized employees. All meters shall be installed in locations selected by the Company. The stopcock before the meter is installed for the use of the Company.

7. All service connections shall become the property of the Company for its operation and maintenance after installation, and new connections or disconnections may be made thereto by the Company at any time.

8. The customer shall install and connect at his expense his water supply pipe to the shut-off valve installed by the Company. The customer's water supply pipe shall at all times remain the sole property of the customer, who shall be responsible for its maintenance and repair. A readily accessible sewer clean-out shall be installed by the customer on the Building Sewer at a location to be determined by the Company. If a replacement or further installation of the clean-out is necessary, it shall be done and paid for by the customer.

9. Only employees of the Company will be allowed to connect or disconnect the service connection to or from the Company's system.

10. The Company will determine the location and size of all service connections to its systems. No service connection service main or collection pipe will be installed by the Company in any private road, lane, street, alley, court or place, until such private streets are open to the public and brought to proper grade and unless the Company is given proper easements or other rights satisfactory to the Company for the main or service connection. Otherwise, an applicant desiring service to property fronting on such private roads, lanes, etc., must extend his supply pipe to the nearest public street on which a main exists.

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

12. When the proper size of service connection for any premises has been determined and the installation has been made, the Company has fulfilled its obligations insofar as the size of the service and the location are concerned. If the customer subsequently desires a change in size of the service connection or a change in the location thereof, he shall bear all costs of such change.

13. A readily accessible shut-off valve controlling all outlets will be installed by the Company at the expense of the customer on his supply pipe at a location to be determined by the Company. If a replacement of the shut-off valve is necessary, it shall be paid for by the customer.

14. All work and materials in connection with the change in location or elevation of any part of the existing system made necessary by the new service connection shall be at the expense of the customer.

15. When required by the Company, contours or elevations shall be furnished by the customer, based upon United States Geological Survey or County of Hawaii data.

16. No obstruction shall be placed on or around any water meter, fire hydrant, or valve so as to render it inaccessible.

17. A customer taking possession of property and using the Company's service without having made application for the transfer of that service shall be held liable for the water delivered from the date of the last rendered meter reading. If proper application for transfer is not made and accumulated bills for service are not paid upon presentation, the service may be discontinued five business days after written notice is given to the user.

RULE V
METER READING AND RENDERING OF BILLS

1. Meters will be read and bills rendered monthly or bimonthly at the option of the Company. When the sewer quantity charge is based on metered domestic water consumption, the meter readings will be performed by the Company. Special readings will be made when necessary for closing of accounts or for other reasons. If a customer's meter cannot be read, the Company may prepare and the customer shall pay an estimated billing, measured on the basis of the customer's daily prorata usage, averaged over the previous three billing cycles, multiplied by the number of days for which service was provided since the last billing.

2. For the purpose of computing charges, all meters serving the customer's premises shall be considered separately, and the readings thereof shall not be combined except in cases where the Company, because of operating necessity, installs two or more meters in parallel to serve the same customer's supply pipe. For the purposes of billing, multi-family projects will be sent one bill per service connection regardless of the number of multi-family residences served by that service connection.

3. All bills shall be due and payable upon deposit in the United States mail, receipt by the customer, or other presentation to the customer. Payment shall be made in cash at the office of the Company, or by personal check, cashier's check or money order, in person or by U.S. Mail at the office of the Company, or, at the Company's option, to duly authorized collectors of the Company. Payment may also be made by credit or debit card or by automatic payment service. In the case of payment by credit card or debit card, any applicable transaction and processing fees charged by the credit / debit card company will be added to the bill and paid by the customer. If the charges payable hereunder by the customer are not paid within 30 days after presentation or deposit in the United States mail, there may be added as a late payment charge an amount equal to one percent (1%) per month of the unpaid balance. In addition, if any bill is not paid within thirty (30) days after presentation or deposit in the United States mail, the service shall be subject to discontinuance in accordance with Rule VI.3, and a reconnection charge of $25.00 will be required in addition to payment of the amount due and payable in order to re-establish water service. Also, the Company shall require the customer to put up a deposit subject to Rule IV.4.

4. The customer shall submit any dispute regarding the charges appearing on the bill to the Company in writing no later than twenty (20) days following the due date for the bill. The Company shall furnish a written response regarding its investigation and determination as to the correctness of or any adjustments to the bill within fifteen (15) days of its receipt of the written dispute. The customer may pay the disputed bill under protest within the time required by this rule to avoid discontinuation of service, in which event the dispute may be submitted to the Hawaii Public Utilities Commission (465 South King Street, #103, Honolulu, Hawaii 96813, Phone: (808) 586-2020) for final determination.

5. If a meter fails to register due to any cause except the non-use of water, an average bill using the last three billing periods determined in accordance with paragraph 1 of this Rule may be rendered. Such average bill will be subject to equitable adjustment taking into account all factors before, during, and after the period of said bill.

6. Any customer who, for any reason, doubts the accuracy of the meter serving his premises may request a test of the meter. The customer, if he so requests, will be notified as to the time of the test and may witness the test if he so desires. No charge will be made for meter tests if the meter is inaccurate. The customer will be charged the actual costs connected with such test if the meter is accurate within range of plus or minus two percent (2%) for small meters (5/8" and 3/4") and plus or minus five percent (5%) for large meters (1" and larger).

7. If, as a result of the test, the meter is found to register more than two percent (2%) fast for small meters or five percent (5%) fast for large meters under conditions of normal operation, the Company will refund to the customer the overcharge based on past consumption, for a period not exceeding six months unless it can be proved that the error was due to some cause, the date of which can be fixed. In this latter case, the overcharge shall be computed back to, but not beyond, such date.

8. If, as a result of the test, the meter is found to register more than two percent (2%) slow for small meters or five percent (5%) slow for large meters under conditions of normal operation, the Company will bill the customer the undercharge based on past consumption, for a period not exceeding six months, unless it can be proved that the error was due to some cause, the date of which can be fixed. In this latter case, the additional charge shall be computed back to, but not beyond, such date.

9. Any bill for which a bank check written in payment has been dishonored will be due and payable immediately upon written notice to the customer by the Company of the check's dishonorment. Within 5 days of issuance of written notice, the full amount of the bill must be paid in cash at the Company's office, along with a $10.00 service charge. Should the customer fail to make payment on the dishonored check, the Company may discontinue service under Rule VI. 3, with the thirty day period running from the date that the original bill was mailed or presented to the customer.

RULE VI
TERMINATION OF SERVICE AND DISCONNECTION

1. Each customer about to vacate any premises or property supplied with service by the Company shall give at least two business days' notice of his intention to vacate prior thereto, specifying the date service is desired to be discontinued; otherwise the customer shall be held responsible for all service furnished to such premises until the Company has received such notice of discontinuance. Before any buildings are demolished the Company should be notified so the service connection can be closed. See definition of the term "Notice to stop" in Rule I.

2. Closing bills for both water and sewer service will be determined by measuring the amount of water used since the last bill as indicated by the meter reading (volumetric charge), and adding a pro-rated stand-by sewer and potable water charge (service charge). In pro-rating service charges, a billing month will be considered as 30-days.

3. If any bill is not paid within thirty (30) days after the mailing or presentation thereof to the customer, the Company may discontinue service after it has made a reasonable attempt to collect payment and has given the customer written notice that the customer has at least fifteen (15) business days within which to settle the customer's account or have service discontinued.

4. Service may also be discontinued for a customer's failure to (i) adhere to conservation measures established under Rule III, or (ii) limit use to the amount of water available to the subject property under any Water Agreement specific to the property, not cured within sixty (60) days after mailing or presentation of notice (including a warning of potential shut off and related costs), followed by a final 5-day written notice. Alternatively, a water flow restrictor may be placed on any meter, restricting the water flowing through the meter on a monthly basis to the volume established by (i) or (ii) above, at any time at the Company's election and sole discretion.

5. If the customer fails to comply with any of these Rules and Regulations, or tampers with the service facilities of the Company, the Company will have the right to discontinue the service.

6. The Company may refuse to grant service or may discontinue existing service to any premises to protect itself against fraud, abuse or unauthorized use of water or the wastewater system.

7. Where negligent or wasteful use of water exists on any premises, the Company may discontinue the service if such conditions are not corrected within five days after giving the customer written notice of intent to do so.

8. The Company may refuse to furnish service, and may discontinue the service to any premises, where the demands of the customer will result in inadequate service to others.

9. Unless otherwise stated or unless termination without notice is necessary to protect against a condition determined by the Company to be hazardous or to prevent an abuse of service that adversely affects the Company system or its service to other customers, a customer shall be given at least five (5) days written notice prior to termination of service, and the customer's service shall not be discontinued on the day preceding or on which the Company's business office is closed.

10. Potable water service may also be discontinued for non-payment of a sewer service bill to the extent that a premises receives water service and sewer service from the Company, and to the extent that sewer and water service has been contracted for by the same person or persons, in accordance with paragraph 3 above.

RULE VII

DAMAGE AND ACCESSIBILITY TO COMPANY'S PROPERTY

1. The customer shall be liable for any damage to a meter or other equipment or property of the Company caused by the customer or his tenants, agents, employees, contractors, licensees, or permittees, on the customer's premises, and the Company shall be promptly reimbursed by the customer for any such damage upon presentation of a bill therefor. Any damage to Company facilities shall be reported as soon as possible.

2. Any damage to mains, service connections, valves, fire hydrants, or other property of the Company, including consequential damage caused by damage to facilities, shall be paid for by the person or organization responsible for the damage.

3. When a meter is found to have been damaged by hot water or steam emanating from the premises served, the customer shall pay for all costs required to repair and/or replace the meter.

RULE VIII

INGRESS TO AND EGRESS FROM CUSTOMER'S PREMISES

Any officer or employee of the Company shall have the right of ingress to and egress from the customer's premises at all reasonable hours for purposes reasonably connected with the furnishing of service to said premises and the exercise of any and all rights secured to the Company by law or these Rules and Regulations. In case any such officer or employee is refused admittance to any premises, or being admitted shall be hindered or prevented from making such inspection, the Company may cause the service to be turned off from said premises after giving 24 hours' notice to the owner or occupant of said premises of its intention to do so, except that if the Company's business office is closed (for weekend, holiday or over night) at the time the 24-hour period expires, shut-off will not occur until any earlier than 10:00 a.m. on the morning that the Company's business office is next open.

RULE IX
RESALE OF WATER

Unless specifically agreed upon by the Company in writing, the customer shall not resell any water received from the Company.

RULE X
SEVERABILITY

If any rule, section, sentence, clause, or phrase of these Rules and Regulations or its application to any person or circumstance or property is held to be unconstitutional or invalid, the remaining portions of these Rules and Regulations or the application of these Rules and Regulations to other persons or circumstances or property shall not be affected. The Company hereby declares that it would have adopted these Rules and Regulations, and each and every rule, section, sentence, clause, or phrase thereof, irrespective of the fact that any one or more other rules, sections, sentences, clauses, or phrases be declared unconstitutional or invalid.

RULE XI

CONTRIBUTION IN AID OF CONSTRUCTION FEE (FACILITIES CHARGES)

1. As a condition of receiving new service from areas outside of the Company's authorized service territory, as expanded in Docket No. 2006-0414, or substantially increasing water consumption to, or sewage outflow volume or discharge from, substantially modified premises, applicants shall be required to pay a contribution in aid of construction and special facility costs to the Company. The contribution in aid of construction shall be non-refundable, except as provided in Sections 7(d) and 14 of this Rule. Special Facilities Costs shall be governed by Rule XXII

2. a. Contribution in aid of construction payments are used by the Company for the purpose of expanding the capacity of the water system, including:

(i) Construction of wells or increasing the capacity of existing wells;

(ii) Construction of reservoirs;

(iii) Construction of primary transmission system or improvements to increase the capacity or efficiency of the existing primary transmission system;

(iv) Construction of water treatment facilities;

(v) Related improvements intended to increase the capacity, efficiency or quality of the primary water system; and

(vi) Increased capacity or improved service of electrical systems required for paragraphs 2a.i-v above.

b. Contribution in aid of construction payments are used by the Company to install or pay for sewage treatment plant facilities required to serve such applicants or customers, including:

(i) Construction of primary collection main extensions;

(ii) Construction of percolation ponds and injections wells;

(iii) Construction of treatment systems or improvements to increase the capacity or efficiency of the existing treatment or collection systems;

(iv) Preparation, engineering and design work necessary to the construction of new sewer treatment facilities; and

(v) Related improvements intended to increase the capacity, efficiency or quality of the primary sewer collection system.

3. "Special facility costs" are costs to construct facilities that are necessary to service applicant's project, as set forth in more detail in Rule XII.

4. "Substantially modified facilities" shall mean premises or facilities to which any material change is made in the size of the premises or facilities, or in the character or extent of any commercial activities conducted at the premises or facilities, that results in an estimated increase in annual average water usage by the customer in excess of 300 gallons per day.

5. The contribution in aid of construction required as a condition of service to a new premises shall be payable only once for the premises, provided that an additional contribution in aid of construction may be required from developers or commercial applicants for premises that are substantially modified.

6. The contribution in aid of construction shall be equal to an equivalent per gallon charge, calculated as follows:

(a) If the Company has no excess capacity available at the time a request for service or substantial modification is made, the contribution in aid of construction payment shall be based on the Company's good faith estimate, based on engineering and construction analyses, of the anticipated total cost to construct the next capacity addition, but, in the case of a wastewater treatment plant ("WWTP") only, not less than the average cost per gallon of the most recent two phases of capacity, and is calculated as follows:

Estimated Daily Gallons for Proposed or Existing Development	X	Estimated Cost per Gallon of the Company's Next Capacity Addition, But (for a WWTP only) In No Event Less Than The Average Cost Per Gallon of the Most Recent Two Phases of Plant Capacity	X	If CIAC is Based On Historical Costs: CPI in the year of payment / CPI for the base year (last capacity addition used in calculating CIAC)

(b) If the Company has capacity available at the time the request for service is made, the applicant shall pay a contribution in aid of construction payment as follows:

Estimated Daily Gallons for Proposed or Existing Development	X	Actual Cost per Gallon of the Company's Most Recent Capacity Addition, But (for a WWTP only) In No Event Less Than The Average Cost Per Gallon of the Most Recent Two Phases of Plant Capacity	X	CPI in year of contribution payment / CPI for base year (last capacity addition used in calculating CIAC)

"CPI" shall mean the "Consumers Price Index for all urban Consumers, Honolulu, Hawaii, ALL ITEMS", as published by the Bureau of Labor Statistics, United States Department of Labor.

(c) If the Company collects a greater amount of CIAC than the total cost of all constructed phases of a wastewater treatment plant (an "Over-Collection"), then for purposes of calculating the CIAC to be paid by an applicant who will be served by the next capacity addition of the plant, the cost of such next capacity addition shall be reduced by the net unamortized Over-Collection.

(d) Where the contribution in aid of construction is based on estimated construction costs, promptly following completion of construction, the Company shall deliver to the applicant a statement showing the actual costs of construction and a recalculation of the contribution in aid of construction based on actual construction costs. Any difference between

the originally calculated and recalculated contribution in aid of construction shall be payable by the Company or the applicant, as applicable, within thirty (30) days of the date of the statement.

7. The Contribution in Aid of Construction shall be calculated on the basis of the Company's estimate of (a) the customer's annual average water consumption or sewage flow, in the case of new facilities, or (b) the customer's increased water consumption or sewage flow, above historical trends in the case of substantially modified facilities.

8. Notwithstanding anything contained herein to the contrary, an additional contribution in aid of construction may be required from customers whose water consumption results in an increase in annual average water usage in excess of the greater of 300 gallons per day or 20% over the annual average water consumption that was initially utilized in calculating the contribution in aid of construction initially paid by a developer in the case of new or modified facilities pursuant to paragraph 6.

9. The contribution in aid of construction ("CIAC") for new facilities shall be estimated at the time that an applicant makes a request of the Company for a "will serve" letter. A subsequently issued "will serve" letter will only state the Company's ability and willingness to supply the applicant with the requested service, conditioned upon the applicant's execution of an Extension Agreement within a specified period of time, payment of the CIAC, and construction of or contribution to the cost of any special facilities required to serve the applicant that are not paid for with CIAC in accordance with Rule XII. The total CIAC fee to be paid will be dependent on the rate provided for in the Company's Rules and Regulations in effect at the time that payment is tendered. CIAC shall be payable in full upon execution of an Extension Agreement. If the full CIAC is not paid upon execution of the Extension Agreement, the Extension Agreement and the "will serve" letter shall be null and void. Any Extension Agreement issued by the Company shall not be binding until payment is received.

10. The contribution in aid of construction for substantially modified facilities shall be payable (a) within thirty (30) days after the customer receives a building permit, or (b) as of the date upon which the customer increases water usage or sewage flow as a result of the modification if the customer fails to provide the Company with prior written notice of the modification.

11. Any will-serve agreement entered into after August 4, 2015 shall automatically terminate if the applicant does not execute an Extension Agreement and satisfy all other conditions contained in the will-serve agreement within the time set forth in the will-serve agreement.

12. Any Extension Agreement entered into after August 4, 2015 shall automatically terminate if the applicant has not completed construction of the project for which service was requested within one year after the date of the Extension Agreement, or such longer or shorter time as may be set forth in the Extension Agreement. The

Company may agree to extend this date if facilities constructed or to be constructed with the CIAC are not required by another user.

13. In the event of termination of either the will-serve agreement or the Extension Agreement: (a) the Company's commitment to reserve capacity for the applicant shall be null and void; and (b) if the applicant subsequently requests service for the same property, the applicant will be required to sign a new will-serve agreement and a new Extension Agreement under which the contribution-in-aid of construction will be recalculated based on the cost of facilities required to serve applicant, and applicant will receive a credit in the amount of the unreimbursed balance of the contribution in aid of construction previously paid, if any.

14. In the event of termination of the Extension Agreement, the Company will reimburse the applicant for all or a part of the contribution in aid of construction paid by the applicant if (i) such funds have not yet been used or committed and are not required to complete construction of the facilities for which they were collected, or (ii) to the extent that the Company has received contributions in aid of construction from another applicant who will utilize any or all the capacity originally reserved for the applicant.

15. In lieu of requiring an applicant to pay a contribution in aid of construction pursuant to this Rule, the Company may, in its discretion, allow an applicant to contribute or construct facilities that are required to serve the applicant's project pursuant to Rule XII, System Extensions. Such facilities may include those described in Section 2 of this Rule. Further, in addition to requiring an applicant to pay a contribution in aid of construction pursuant to this Rule, the Company may require an applicant to construct or contribute to the cost of constructing special facilities that are required to serve the Applicant pursuant to Rule XII to the extent that the cost of such facilities is not included in the contribution in aid of construction.

16. Section 9 of this Rule shall not apply to any applicant who has entered into a will-serve agreement before August 4, 2015. Section 6 of this Rule shall not apply to any applicant who has entered a will serve agreement before August 4, 2015, except to the extent that the terms of such agreement are consistent with the terms of Section 6; provided that, if full payment of the CIAC due under such will-serve agreement has not been paid and the will-serve agreement provides that final payment will be dependent on the rate in effect at the time of such payment, the total CIAC payable will be calculated in accordance with Section 6 above**.**

17. In addition to the contribution in aid of construction payments, applicants shall pay to the Company any and all applicable Hawaii general excise tax (any replacement tax) and any other taxes, fees or charges of any kind, if any, applicable to the amount of the contribution in aid of construction payments.

RULE XII
SYSTEM EXTENSIONS

1. Extensions of water mains and sewer mains from the Company system to serve new customers outside of the Company's authorized service territory, as expanded in Docket No. 2006-0414, and connections to main extensions with respect to which customer contributions were made, shall be made under the provisions of this rule. In addition, the Company may, in its discretion, allow an applicant to contribute or construct additional property or facilities that are required to serve the applicant's project pursuant to this Rule XII in lieu of, or in addition to, requiring the applicant to pay a contribution in aid of construction pursuant to Rule XI. As used in this Rule XII, an "extension" shall include any such additional property or facilities. An extension contract shall be executed by the Company and the applicant before the Company commences construction work on an extension or, if an extension has been constructed by applicant, before the facilities comprising the extension are transferred to the Company.

2. Customer contributions may be either refundable or non-refundable depending on their use. The non-refundable construction cost, for the purposes of this rule, shall be the cost of installing facilities of adequate capacity for the service requested. If the Company, at its option, determines that it is appropriate to install facilities with a larger capacity or resulting in a greater footage of extension than required for the service requested, or if the applicant elects to construct such larger facilities, the oversizing cost, for the purposes of this rule, shall be the difference between the total construction cost of the facilities installed and the non-refundable construction cost. Such oversizing cost shall be subject to refund in accordance with paragraphs 6(g) and 6(h) of this rule.

3. Ownership, design and construction of property and facilities shall be in accordance with the following provisions:

a. Any facilities installed or property dedicated hereunder shall be the sole property of the Company.

b. The size, type, and quality of materials, and their location, shall be specified by the Company, and the actual construction shall be done by the Company or by a contractor acceptable to it.

c. When an extension must comply with an ordinance, regulation, or specification of a public authority, the estimated and actual construction costs of the extension shall be based upon the facilities required to comply therewith

d. The Company may, but will not be required to, make extensions under this rule in easements or rights of way where final grades have not been established, or where street grades have not been brought to those established by public authority. If extensions are made when grades have not been established and there is a reasonable probability that the existing grade will be changed, the Company may require that the applicant or applicants for the extension deposit, at the time of execution of the

extension contract, the estimated net cost of relocating, raising or lowering facilities upon establishment of final grades. Adjustment of any difference between the amount so deposited and the actual cost of relocating, raising or lowering facilities shall be made within ten days after the Company has ascertained such actual cost. The net deposit representing actual cost is not subject to refund. When such displacements are determined by proper authority not to be required, the entire deposit related to the proposed relocation, raising or lowering shall be refunded.

4. Estimates, plans and specifications shall be required of the applicant as follows:

a. As part of the application for an extension, the applicant's engineer shall prepare a preliminary sketch and rough estimates of the cost of installation to be contributed by said applicant.

b. The Company shall review plans submitted to it within a reasonable time after receipt of such plans, specifications and cost estimates of the proposed extension. If the extension is to include oversizing of facilities for which there will be an oversizing cost, appropriate details shall be set forth in the plans, specifications and cost estimates.

c. The applicant shall furnish a map to a suitable scale showing the street and lot layouts and, when requested by the Company, contours or other indication of the relative elevation of the various parts of the area to be developed. If changes are made subsequent to the presentation of this map by the applicant, and these changes require additional expense in revising plans, specifications and cost estimate, the applicant's engineer shall make those changes at no expense to the Company.

5. Timing and adjustment of customer contributions shall be in accordance with the following provisions:

a. Unless the applicant for the extension elects to arrange for the installation of the extension himself, as permitted by paragraph 6(e), the full amount of the required customer contribution will be required by the Company at the time of execution of the extension contract. An acceptable surety bond may, at the sole discretion of the Company, also be acceptable.

b. If the applicant for an extension posts a surety bond in lieu of cash, such surety bond must be replaced with cash not less than ten (10) calendar days before construction is to commence. However, the applicant may be required to deposit sufficient cash to cover the cost of materials before they are ordered by the Company.

c. An applicant for an extension who makes a contribution shall be provided with a statement of actual construction cost and oversizing cost showing in reasonable detail the costs incurred for material, labor, any other direct and indirect costs, overheads, and total costs, unit costs or contract costs, whichever are appropriate.

d. The statement shall be submitted within a reasonable time after the actual construction costs of the installation have been ascertained by the Company.

e. Any difference between the actual construction costs and the total amount of the customer contribution shall be shown as a revision of the amount of the customer contribution and shall be payable by the applicant, or by the Company, as applicable, within thirty (30) days of date of submission of statement.

6. Customer contributions and refunds shall be treated in the following manner:

a. Unless the procedure outlined in paragraph 6(e) is followed, an applicant for an extension to serve a new development, subdivision, tract, housing project, industrial development or organized commercial district, etc., shall be required to pay to the Company, before construction is commenced, a non-refundable contribution equal to the estimated non-refundable construction cost of the extension to be actually installed, from the nearest Company facility at least equal in size or capacity to the extension required to serve both the new customer and a reasonable estimate of the potential customers who might be served directly from the extension without additional extension. The cost of the extension shall include necessary connections, pipes, fittings, valves, valve boxes, meters, meter enclosures, booster stations, pressure regulating stations, and other water, sewer and/or irrigation system distribution appurtenances and Hawaii and Federal income taxes applicable to the contribution calculated by the full gross up method.

b. If special facilities consisting of items not covered by paragraph 6(a) are required for the service requested, the cost of the special facilities shall be included in the customer contribution.

c. In addition to the non-refundable contribution required by paragraphs 6(a) and 6(b), an applicant for an extension shall be required to advance to the Company the oversizing cost estimated by the Company for the extension deemed to be appropriate by the Company. (This additional contribution shall be refundable in accordance with paragraphs 6(g) and 6(h) of this rule.)

d. A pioneer, for the purposes of this rule, shall be a developer/customer who makes a contribution to pay the oversizing cost of an extension.

e. In lieu of providing the customer contribution in accordance with paragraphs 6(a), 6(b) and 6(c), the applicant for an extension shall be permitted, if deemed to be qualified in the sole judgment of the Company, to construct and install the facilities, or to arrange for their installation. If extension facilities are arranged for by applicant and constructed by others, the extension shall be installed pursuant to competitive bidding procedures unless waived by the Company. The cost, including the cost of inspection and supervision by the Company, shall be paid directly by applicant. The applicant shall provide the Company with a statement of actual construction cost in reasonable detail. The installation shall be in accordance with the plans and specifications submitted by the Company pursuant to paragraph 4(b). All facilities shall be dedicated to the Company through appropriate deeds, rights of way, easements, bills of sale or other instruments as required upon completion, in accordance with paragraph 3(a) of this rule. At the time of dedication, the customer/developer will pay to the Company Hawaii and Federal income taxes calculated by the full gross up method based on the value of the system being dedicated as determined in this section above.

f. If a subsequent applicant connects to an extension which was paid for by one or more pioneers, that subsequent applicant shall be required to pay a non-refundable extension refund charge equal to its proportionate share of the oversizing cost of such extension based on anticipated consumption. Such extension refund charge shall only be assessed to the extent that it is to be paid by the Company to the pioneer or pioneers pursuant to paragraphs 6(g) and 6(h), or to the extent that the Company has previously reimbursed the pioneer for such oversizing costs.

g. A refund of all or part of the refundable customer contribution made by a pioneer shall be made if subsequent applicants are provided service from the extension and pay an extension refund charge based on their proportionate share of the oversizing cost of the extension. The refunds, if any, shall be made from subsequent extension refund charges covering a proportionate share of the oversizing cost for the extension.

h. Refunds to pioneers, if any, will be made annually in the first quarter of each applicable year to pioneers on record as of December 31 of the previous year, for a period of ten years following the year that the extension was placed into service. Refunds shall be made without interest. The total refunds which a pioneer may receive shall not exceed the amount of the customer contribution paid by the pioneer.

i. All customer contributions and extension refund charges shall include the Hawaii and Federal income tax applicable to the contribution calculated at the marginal income tax rate applicable to corporations using a full gross-up method.

7. Any contract entered into under this rule may be assigned, after settlement of actual construction costs, after written notice to the Company by the holder of said contract as shown by the Company's records. Such assignment shall apply only to those refunds which become due more than thirty (30) days after the date of receipt by the Company of the notice of assignment. The Company shall not be required to make any one refund payment under such contract to more than a single assignee.

8. Extension contracts may be terminated as follows: Any contract entered into under paragraph 6 of this rule may be purchased by the Company and terminated, provided the payment is not in excess of the remaining contract balance.

9. If an applicant constructs or contributes to the cost of construction of facilities pursuant to this Rule, and if the applicant does not use such facilities within the time required under the Extension Agreement, the Company may elect to termination the Extension Agreement and to use any such facilities to serve other customers. In that event (a) the Company's commitment to reserve capacity for the application shall be null and void; and (b) if the applicant subsequently requests service for the same property, the applicant will be required to sign a new will-serve agreement and a new Extension Agreement, and will receive a credit in the amount of the unreimbursed balance of the amounts previously paid by the applicant for facilities to serve such property under this Rule. In the event of such termination, the Company shall have no obligation to reimburse the applicant for any amounts paid by the applicant for such facilities except for refundable contributions which shall be refunded in accordance with Section 6 of this Rule. However, the Company will reimburse the applicant for all or a part of the amounts paid by the applicant pursuant to this rule if (i) such funds have not yet been used and are not required to complete construction of the facilities for which they were collected, or (ii) to the extent that the Company has received funds from another applicant who will utilize the capacity originally reserved for the applicant.

RULE XIII
INTERRUPTION OF SERVICE

The Company will exercise reasonable diligence and care to furnish and deliver a continuous and sufficient supply of water and/or sewer treatment service to the customer, and to avoid any interruption of delivery of same. The Company will not be liable for interruption or insufficiency of supply or any loss, cost, damage or expense of any nature whatsoever, occasioned thereby if caused by supply shortage, threatened supply shortage, accident, storm, fire, strikes, riots, war or any cause not within the Company's control through the exercise of reasonable diligence and care.

The Company, whenever it shall find it necessary for the purpose of making repairs, changes or improvements to its system will have the right to suspend temporarily the delivery of water and/or sewer treatment service, but in all such cases, as reasonable notice thereof as circumstances will permit, will be given to the customer, and the making of such repairs, changes or improvements will be prosecuted as rapidly as may be practicable, and if practicable, at such times as will cause the least inconvenience to the affected customers.

Should a shortage of supply ever occur, the Company will apportion its available supply of water and/or sewer treatment service among its customers as authorized or directed by the Public Utilities Commission. In the absence of a Commission order, the Company will apportion the supply in the manner that appears to it most equitable under conditions then prevailing. Any rules, regulations, rate or contracts of the Company which are inconsistent with such order or plan shall be deemed suspended while such order or plan is in effect and the Company shall not be liable when it acts in substantial compliance with such order or plan.

On a semiannual basis the Company shall provide to the customer, notification of the customer's right to file compensation claims with the company for any loss, cost, damage or expense caused by an interruption of service. The notification shall be on a separate information sheet enclosed with the billing.

For a customer's compensation claim to be valid, it must be filed with the Company within thirty (30) days of the interruption of service. The Company shall review every claim and shall compensate the customer for any loss, cost, damage or expense as determined by the Company to be within the Company's control.

SECTION B. GENERAL WATER SERVICE RULES AND REGULATIONS

COVERING THE SUPPLY OF WATER TO CUSTOMERS

RULES XIV - XXII

RULE XIV

ELEVATION AGREEMENT, PRESSURE CONDITIONS

1. Where property is situated at such an elevation that it cannot be assured of a dependable supply or of adequate service from the Company's distribution system, the customer, in consideration of connection with the Company's system, must agree to accept such water service as the Company is able to render from its existing facilities, or to install if necessary and maintain at the customer's expense a tank and pump of suitable design and of sufficient capacity to furnish an adequate and dependable supply of water. The Company shall make every effort to maintain pressure in its water mains, but shall not accept responsibility for failing to maintain pressure or accept any liability for any loss due to lack of pressure. The customer shall execute a written release in favor of the Company that shall be recorded with the Bureau of Conveyances, that will release the Company from all claims on account of any inadequacy in the Company's system or inadequacy of water supply to the customer.

2. When the pressure of the Company's supply is higher than that for which individual fixtures are designed, the customer shall protect such fixtures by installing and maintaining pressure reducing and relief valves. The Company will not be liable for damage due to pressure conditions caused by or arising from the failure or defective condition of such pressure regulators and relief valves or for damage that may occur through the installation, maintenance, or use of such equipment.

3. When required by the Company the customer shall install an air gap or other protective devices between the customer's supply pipe and the service connection.

4. Wherever a check valve or pressure reducing valve is installed on the customer's cold water supply line between the main and a hot water storage tank and/or heater, there shall be installed on the customer's hot water distributing system a suitable pressure relief valve.

RULE XV

RESPONSIBILITY FOR WATER RECEIVING EQUIPMENT

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

2. Water service may be discontinued to any customer whose water system includes plumbing fixtures, or water containers in any form, or of any use, which in the opinion of the Company may endanger the Company's water supply from a public health standpoint. Any such discontinuation of service shall continue until objectionable installations have been corrected and the Company has been assured that the objectionable uses and practices will not be resumed.

3. The Company will not be responsible, and the customer will be responsible, for water damage or other damage to property caused by spigots, faucets, valves and other equipment that may be open when water is turned on at the meter, whether this occurs at the time of first installation or after a temporary shutdown.

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

RULE XVI
ABATEMENT OF NOISES

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

RULE XVII
ELECTRICAL GROUNDING

1. Protective grounding of alternating current secondary distribution circuits made to the water system shall be subject to the following conditions:

(a) The grounding installation shall conform in all details with the National Electrical Code of the National Board of Fire Underwriters and with the County Building Code. The Company shall not be responsible for any damage or injury caused by any electrical grounding.

(b) The installation of the bonding jumper around the meter shall be the responsibility of the installer of the grounding connection. The bonding jumper shall be installed in such a manner as not to interfere with the installation or removal of any of the Company's facilities.

(c) Whenever grounding fault occurs and causes electrical current to flow into the pipeline system, the customer shall have the correction made immediately and shall pay for any damages attributable to such grounding fault. Corrections not made will be subject to discontinuance of water service.

2. No grounding of direct current system to any portion of the water system shall be permitted.

3. No grounding other than as provided in paragraph 1, (a) and (b) hereof shall be made to any portion of the water system without the Company's written approval.

4. The Company does not maintain a continuous metallic water piping system and disavows any liability to public utility electric companies, electric customers, or any other agency or individual to maintain or operate such a system.

RULE XVIII
CUSTOMER'S PUMPING INSTALLATIONS

1. Customers shall not be permitted to install or operate pumps pumping water directly from the mains of the Company's system except in cases approved in writing. No such approval will be given in cases where it is the opinion of the Company that such an installation and the operation thereof may adversely affect the water service extended by the Company to other customers.

2. No pump shall be equipped with a direct water supply connection for priming purposes except with the written permission of the Company.

RULE XIX

CROSS-CONNECTIONS, BACKFLOW PROTECTION AND IRRIGATION SYSTEM ANTI-SIPHON VALVES

1. In order to provide proper sanitary protection to the Company's water supply and to comply with the applicable regulations of the United States Public Health Service and of the State Department of Health, as adopted or amended from time to time, the Company will require that following the effective date of these Rules and Regulations no cross-connections with other water supplies, or other physical connections, shall exist, or be installed, located, maintained or operated which could permit backflow of contaminated water or any other dangerous, impure, unsanitary, or unpotable substance from the customer's premises into the Company's water supply system, except as provided below:

(a) Owners or operators of presently existing water supplies which are in active use and cross-connected to the Company's system will be required to secure permits for the continuance of such cross-connections. Permits will be granted on a provisional basis, renewable yearly, under the following conditions:

(i) Where such water supplies are regularly examined by the Company, or other agencies satisfactory to the Company, and are approved by the Company as acceptable, safe and sanitary supplies and continue as such at all times while the connections are in existence.

(ii) Where such water supplies do not meet the requirements of (i) above, are not normally under pressure and are maintained solely for fire fighting purposes, and where adequate protection against backflow to the Company's water system is provided by mechanical, or other, methods or devices satisfactory to the Company.

(iii) The Company may waive the requirement of a permit and allow cross-connections to be continued or established if the connections are with water supplies defined as primary or community supplies by the State Department of Health and approved by the Company and the State Department of Health as acceptable, safe and sanitary supplies.

(b) Other physical connections may be permitted if, in the judgment of the Company, adequate protection can be provided the water supply of the Company against backflow by the installation of mechanical, or other methods or devices approved by the Company and installed, maintained and operated by the customer in a manner satisfactory to the Company at all times; provided, however, that the Company may require the customer to eliminate or rearrange designated plumbing or piping connections or fixtures, or to install a backflow device at the meter or other location subject to the approval of the Company, as an added safety measure in addition to any and all other backflow protection required or provided by mechanical, or other, methods or devices, whenever (1) the customer is engaged in the handling of dangerous or corrosive liquids or industrial or process waters, highly contaminated water or sewage, or is engaged in the medical or dental treatment of persons who might have diseases transmittable by water, or whenever (2) in the judgment of the Company there exists a danger of backflow into the Company's mains because of the possibility of unauthorized connections being created through non-compliance or inadvertence on account of the complexity of the system or systems or because of failure by the customer to provide adequately qualified personnel and supervision for maintenance and extension of the customer's piping system or systems, or for any other sufficient reason or cause.

2. The Company will require the installation of mechanical, or other, methods or devices on the customer's side of the meter to prevent backflow whenever the customer maintains a separate pressure system or a separate storage facility, or in any way increases the pressures of the water within his premises above the pressure furnished by the Company or has such equipment devices or arrangement of piping, storage or industrial methods or processes that might under certain conditions raise the pressure of the water within his premises above the pressure of the water in the mains of the Company. Plans for such installations must be approved by the Company.

3. As a protection to the customer's plumbing system a suitable pressure relief valve must be installed and maintained by him at his expense when backflow devices are installed on the customer's side of the meter.

4. Any device installed for the prevention of backflow as may be required under these Rules and Regulations, shall, unless the Company approves otherwise in writing, be located above ground and in such a manner as to be safe from flooding or submergence in water or other liquids, properly protected from external damage, freely accessible and with adequate working room for inspections, testing and repairing.

All such devices shall be tested by customer at least once every four months. At the customer's sole expense, the Company shall retain a certified inspector to perform an annual inspection of the customer's backflow devices, and to perform any repair or replacement as may be necessary. Repairs, replacement of parts, etc., shall be made whenever necessary at the expense of the customer. Making of tests and annual inspections shall be the responsibility of the customer (except the annual inspection described above, for which customer remains financially responsible) and shall be made by the customer or other qualified person or persons in accordance with methods acceptable to the Company. The customer is required to maintain a log of tests and inspections made. Records of tests and inspections shall be made on forms prescribed by the Company and a copy of such records shall be furnished to the Company. Failure of the customer to make the proper tests and submission of records may, at the option of the Company, result in the Company making the tests, needed repairs and replacements and charging the costs thereof to the customer.

5. In the case the customer connects an irrigation system to the Company's system, an anti-siphon valve or backflow prevention valve, which provides an air gap when there is no water flow into the irrigation system, shall be installed before the irrigation system begins. Inspection and approval of such devices shall be by the Company. Installation, maintenance and operation shall be by the customer.

6. Upon request of the Company, the customer shall present an affidavit either certifying to the fact that there are no connections or other installations of the type prohibited in paragraph 1 of this Rule on his premises or describing in detail all non-conforming connections or installations.

7. The several conditions relative to the installation and maintenance of cross-connections and other physical connections referred to in this Section shall be subject to change to meet changing requirements of the State and Federal health authorities and of the county Building Code.

8. Failure on the part of the customer to comply with the Company's requirements relative to cross-connections and backflow protection will be sufficient reason for discontinuing water service until such time as the requirements have been met.

RULE XX
AUTOMATIC FIRE SPRINKLER SERVICE

1. Separate automatic fire sprinkler service may be furnished upon Company approval only and where adequate provision is made to prevent diversion of water through such service to other purposes. The fire service connection will be installed by the Company and shall be paid for by the customer in accordance with the provisions for the installation of new service connections. After the water is turned on, the Company assumes no liability for damage of any kind whatsoever that may occur to the premises served, regardless of cause.

2. No charge will be made for water used through such connection for fire protection purposes but any water lost through leakage or used in violation of the conditions contained herein shall be paid for by the customer at the regular schedule of water rates and charges. The Company may disconnect and remove the said service connection if water is used for other than fire protection purposes or if leaks are not corrected. Whenever such disconnection is in effect, the Company shall not be held in any way liable for loss or damage sustained due to such condition.

3. Service charges will be in accordance with the rates established by the Company from time to time, as shown in Section D-1.

4. All automatic fire sprinkler services may be metered with a detector check valve and a by-pass meter of a type approved by the Company. The meter and the meter box required therefor shall be furnished by the customer and approved as to size and type by the Company. All service connections shall become the property of the Company after installation.

RULE XXI

USE OF AND DAMAGE TO FIRE HYDRANTS, CHANGE IN HYDRANT LOCATION, RESPONSIBILITY FOR MAINTENANCE AND OPERATION OF PRIVATE HYDRANTS

1. Any use of a fire hydrant or tampering therewith or the taking of water therefrom for purposes other than fire protection by persons other than authorized employees of the Fire Department or the Company is prohibited, except upon prior application to and written permit by the Company. The Fire Department shall have the prior right to use any hydrant at any time and shall have the authority to remove peremptorily, if necessary in case of fire, any connection that may be made to a hydrant under a permit and the connections thereto shall be subject to the direction and approval of the Company. The customer shall not use hydrant main line valves to control flows.

2. Application for a permit for the use of a fire hydrant for purposes other than fire protection shall be made in writing to the Company and when required, shall be accompanied by a $500 deposit in cash. Such permit shall be non-transferable and shall be shown upon demand by the permittee, its agents or employees. The Company reserves the right to reject any application, to refuse to issue any permit and to revoke any permit at any time. The Company also reserves the right to perform for the permittee at his expense the work of installing and removing the connections and of operating the hydrant. No permit will be issued unless the permittee agrees to notify the Company as soon as the use of the hydrant is finished. In the event that a permit shall be revoked, the use of the hydrant thereunder shall cease immediately and all connections thereto shall be properly removed forthwith. The Company will inspect each hydrant which has been used under a permit, and all costs of repairs which the Company may adjudge to be due to such use and the cost of inspection shall be paid for by the permittee. All water drawn from a hydrant under permit shall be metered for normal operations, or estimated in the case of emergency use. Estimation will be based on tank levels and flow/use time. Fire hydrant water shall be paid for by the permittee at the current water rates. The permittee shall pay all of the costs of connecting to and disconnecting from the hydrant, including the cost of meter deposits provided for elsewhere in these Rules.

3. Only regulation fire hydrant wrenches which shall have been approved by the Company shall be used for the operation of fire hydrants. The use of any other type of wrench or operating device shall not be permitted. The permit will be revoked if other than approved regulation fire hydrant wrenches are used.

4. The permittee shall report promptly any defect in or damage to the hydrant. The cost of any damage to property or of any injury to persons resulting from the use of the hydrant shall be paid for by the permittee. The Company will not be held responsible for any damage to property or injury to persons arising from the use of any hydrant for any cause whatsoever. Any damage to fire hydrants shall be paid by the person or organization responsible for the damage.

5. The Company will, if it approves the request for a change in location of a hydrant, change such location provided the cost of all labor, material, equipment and all other charges are paid by the person requesting such change.

6. The Company will not be responsible for the operations and maintenance of private fire hydrants located within customers' lot(s). The customer shall at his expense test periodically and keep in good and safe working condition including proper maintenance all private hydrants under his control and not under the jurisdiction of the Company.

RULE XXII
REFRIGERATION AND AIR CONDITIONING EQUIPMENT

1. No new installation or replacement installation of refrigeration or air conditioning equipment requiring the use of water from the Company water system shall be made on any premises until such installation has been authorized in writing by the Company. Before new or replacement installation of such refrigeration or air conditioning equipment is made, the owner shall inform the Company in writing of the make, type, horsepower and tonnage of installation, the minimum and maximum water requirements, the name and address of the applicant, the location of the premises where the unit is to be installed, and such additional information regarding the proposed installation as may be required by the Company.

2. Any water using unit of refrigeration or air conditioning equipment of small size shall be equipped with an automatic water regulating device and/or water conserving device which will limit the total flow of water to 6 gallons per minute momentary actual load or 2 gallons per minute per ton of refrigeration, whichever is the less, and which will automatically stop the flow of water when the unit stops.

3. Any large size water using unit of refrigeration or air conditioning equipment shall be equipped with water conserving device which will (a) limit the flow of water to not more than 2 gallons per minute per ton of refrigeration, actual load and (b) automatically stop the flow of water when the unit is shut down.

4. For the purpose of these regulations a unit of less than 25 tons rated capacity shall be considered a small unit.

5. Where several units serve the same premises, their combined capacity shall be considered to be the capacity of the unit.

6. All installations of water using refrigeration and air conditioning equipment, regardless of capacity, which are to be served by the Company water system must conform with all other applicable Rules and Regulations.

7. Any change in the customer's refrigeration or air conditioning equipment which results in an increase in average water consumption may require a payment of a CIAC Fee per Rule XI.7.

SECTION C. GENERAL SEWER SERVICE RULES AND REGULATIONS

COVERING THE PROVISION OF SEWER SERVICE TO CUSTOMERS

RULE XXIII

RULE XXIII
UNACCEPTABLE WASTES

1. No person shall discharge or cause to be discharged any storm water, surface water, ground water, roof run-off, subsurface drainage, uncontaminated cooling water, or unpolluted industrial process waters to any sanitary sewer.

2. Neither storm nor drainage water shall be discharged into the Company's sewer system. Industrial cooling water or unpolluted process waters may be discharged, on approval of the Company and appropriate regulatory agency(ies) with jurisdiction over such discharge, into the Company's sewer system.

3. No person shall discharge or cause to be discharged any of the following described waters or wastes to any sewers of the Company:

(a) Any gasoline, benzene, naphtha, fuel oil, or other flammable or explosive liquid, solid, or gas.

(b) Any waters or wastes containing toxic or poisonous solids, liquids, or gases in sufficient quantity, either singly or by interaction with other wastes, to injure or interfere with any sewage treatment process, constitute a hazard to humans or animals, create a public nuisance, or create any hazard in the receiving waters of the sewage treatment plant, including but not limited to cyanides in excess of two (2) mg/l as CN in the wastes as discharged to the sewer of the Company.

(c) Any waters or wastes having a pH lower than 5.5 or having any other corrosive property capable of causing damage or hazard to structures, equipment, and personnel of the sewer works.

(d) Solid or viscous substances in quantities or of such size capable of causing obstruction to the flow in sewers, or other interference with the proper operation of the sewer works such as, but not limited to, ashes, cinders, sand, mulch, straw, shavings, metals, glass, rags, feathers, tar, plastics, wood, ungrounded garbage, whole blood, paunch manure, hair and fleshing entrails, and paper dishes, cups, milk containers, etc., either whole or ground by garbage grinders.

(e) Any other substance, of whatever nature or form, disposed of which is prohibited by applicable federal, state, county or agency environmental or other law, rule or regulation.

4. No person shall discharge or cause to be discharged the following described substances, materials, waters, or wastes if it appears likely in the opinion of the Company that such wastes can harm either the sewers, sewage treatment process or equipment, have an adverse effect on the receiving stream, or can otherwise endanger life, limb, public or private property, or constitute a nuisance. In forming an opinion as to the acceptability of those wastes, the Company will give consideration to such factors as the quantities of subject wastes in relation to flows and velocities in the sewers, materials of construction of the sewers, nature of the sewage treatment process, capacities of the sewage treatment plant, degree of treatability of wastes in the sewage treatment plant, and other factors. The substances prohibited are:

(a) Any liquid or vapor having a temperature higher than one hundred fifty degrees (150°) F.

(b) Any water or waste containing fats, wax, grease, or oils, whether emulsified or not, in excess of one hundred (100) mg/l or containing substances which may solidify or become viscous at temperatures between thirty-two degrees (32°) and one hundred fifty degrees (150°) F.

(c) Any garbage that has not been properly shredded. The installation and operation of any garbage grinder equipped with a motor of three-fourths (3/4) horsepower or greater shall be subject to the review and approval of the Company.

(d) Any waters or wastes containing strong iron pickling wastes, or concentrated plating solutions, whether neutralized or not.

(e) Any waters or wastes containing iron, chromium, copper, zinc, and similar objectionable or toxic substances; or wastes exerting an excessive chlorine requirement, to such degree that any such material received in the composite sewage at the sewage treatment works exceeds the limits established by the Company for such materials. A list of these limits shall be provided by the Company upon request.

(f) Any waters or wastes containing phenols or other taste- or odor-producing substances, in such concentrations exceeding limits which may be established by the Company as necessary, after treatment of the composite sewage, to meet the requirements of the State, Federal or other public agencies of jurisdiction for such discharge to the receiving waters.

(g) Any radioactive wastes or isotopes of such half-life or concentration as may exceed limits established by the Company in compliance with applicable State or Federal regulations.

(h) Any waters or wastes having a pH in excess of 9.5.

(i) Materials which exert or cause:

(1) Unusual concentrations of inert suspended solids (such as, but not limited to, fuller's earth, lime slurries, and lime residues) or of dissolved solids (such as, but not limited to, sodium chloride and sodium sulfate).

(2) Excessive discoloration (such as, but not limited to, dye wastes and vegetable tanning solutions).

(3) Unusual BOD, chemical oxygen demand, or chlorine requirements in such quantities as to constitute a significant load on the sewage treatment works.

(4) Unusual volume of flow or concentration of wastes constituting "slugs" as defined herein.

(j) Water or wastes containing substances which are not amenable to treatment or reduction by the sewage treatment process employed, or are amenable to treatment only to such degree that the sewage treatment plant effluent cannot meet the requirements of other agencies having jurisdiction over discharge to the receiving waters.

5. If any waters or wastes are discharged, or are proposed to be discharged to the Company's sewers, which contain the substances or possess the characteristics given in paragraph 4 of this rule, and which in the Company's judgment may have a deleterious effect on the sewage works of the Company, processes, equipment, or receiving waters, or which otherwise create a hazard to life or constitute a public nuisance, the Company may:

(a) Reject the wastes,

(b) Require pre-treatment to an acceptable condition for discharge to the sewers of the Company,

(c) Require control over the quantities and rates of discharge to the sewers of the Company,

(d) Require payment to cover the added cost of handling and treating the wastes not covered by existing sewer charges under the provisions of paragraph 10 of this rule.

If the Company permits the pre-treatment or equalization of waste flows, the design and installation of the plants and equipment shall be subject to the review and approval of the Company, and subject to the requirements of all applicable codes, ordinances, and laws.

6. Grease, oil, and sand interceptors shall be provided by the customer when, in the opinion of the Company, they are necessary for the proper handling of liquid wastes containing grease in excessive amounts, or any flammable wastes, sand, or other harmful ingredients; except that such interceptors shall not be required for private living quarters or dwelling units. All interceptors shall be of a type and capacity approved by the Company and shall be located as to be readily and easily accessible for cleaning and inspection.

7. Where preliminary treatment or flow-equalization facilities are provided for any waters or wastes, they shall be maintained continuously in satisfactory and effective operation by the owner at his expense.

8. When required by the Company, the owner of any property serviced by a building sewer carrying industrial wastes shall install a suitable control manhole together with such necessary meters and other appurtenances in the building sewer to facilitate observation, sampling, and measurement of wastes. Such manhole, when required, shall be accessibly and safely located and shall be constructed in accordance with plans approved by the Company. The manhole shall be installed by the owner at his expense and shall be maintained by him so as to be safe and accessible at all times.

9. All measurements, tests, and analyses of the characteristics of waters and wastes to which reference is made in these Rules and Regulations shall be determined in accordance with the latest edition of "Standard Methods for the Examination of Water and Wastewater," published by the American Public Health Association, and shall be determined at the control manhole provided, or upon suitable samples taken at said control manhole.

In the event that no special manhole has been required, the control manhole shall be considered to be the nearest downstream manhole in the Company's sewer to the point at which the building sewer is connected. Sampling shall be carried out by customary accepted methods to reflect the effects of constituents upon the sewage works and to determine the existence of hazards to life, limb, and property. (The particular analyses involved will determine whether a twenty-four (24) hour composite of all outfalls of a premise is appropriate or whether a grab sample or samples should be taken. Normally, but not always, BOD and suspended solids analyses are obtained from 24-hour composites of all outfalls whereas pH analyses are determined from periodic grab samples.)

10. No statement contained in this rule shall be construed as preventing any special agreement or arrangement between the Company and any industrial concern whereby an industrial waste of unusual strength or character may be accepted by the Company for treatment, subject to payment therefor, by the industrial concern.

SECTION D. RATES AND TARIFFS

SECTION D-1

Water Service Rates

Meter Charge

Meter Size / Service	Monthly Charge per Installed Meter	
5/8" or 3/4"	$ 14.77	(I)
1"	$ 28.31	|
1 ½"	$ 49.64	|
2"	$ 67.71	|
3"	$ 135.43	|
4"	$ 178.07	|
6"	$ 451.45	|
8"	$ 812.59	(I)

Ready to Serve Charge

Includes usage up to 10,000 gallons per month	Monthly Charge per Installed Meter	
Residential	$ 360.45	(I)
Cottages	$ 270.33	|
Business	$ 360.45	(I)
		(D)

Quantity Charge

Gallons per month per meter	Rate per Thousand Gallons	
0 – 10,000 gallons	$ 0	(I)
10,001 – 29,999 gallons	$ 3.4070	|
30,000 – 74,999 gallons	$ 6.2768	|
75,000 and over	$ 9.1465	(I)
		(D)

Bulk Interruptible Rate

Bulk Interruptible Rate* $2.3331 per thousand gallons of untreated water **(I)**

* Pursuant to Decision and Order No. 21836 filed on May 25, 2005 in Docket No. 04-0137, untreated, non-potable water is available from the Company at the above bulk rate on an interruptible basis in an "as is/where is" condition without any warranties of fitness or water quality, subject to Company's rights to use said water for its potable needs. A customer shall, at its sole cost and expense, be responsible for transporting, and for obtaining all governmental approvals and access rights needed to transport, the non-potable water from the bypass located prior to the RO demineralizer facility on the Company water system to the customer's property. The customer shall also be responsible for complying with all applicable provisions in the Rules and Regulations. The customer shall submit construction plans for its water system facilities (including the meter) for review and approval by the Company prior to the commencement of any such construction. The Company's approval or disapproval of said construction plans shall not be considered any representation of, and shall not make the Company responsible for, the safety, merchantability, functionality or soundness of said facilities or their compliance with governmental codes or other laws, rules, regulations or requirements. The customer will be solely responsible, at its own risk and expense, for maintaining, repairing and keeping in good and safe condition the customer's water system facilities (minus the meter and the service connection).

POWER COST CHARGE

In addition to the monthly stand-by charge and monthly quantity charge, there shall be a Power Cost Charge per 1,000 gallons of metered water usage per month. The amount of the Power Cost Charge shall be calculated as follows:

Actual cost per kWh x (21.9131 kWh/thousand gallons) x 1.06385 (Public service company tax and PUC fee)

TAX CUTS AND JOBS ACT CREDIT

Pursuant to Orders 37124 and 37494, all customers will receive a flat monthly credit to their bills beginning February 25, 2021 and ending February 25, 2023.

All Customers – per metered connection $19.13 **(R)**

(D)

SECTION D-2

Sewer Service Rates

GENERAL USE RATES

Stand-By Charges:

Residential – per dwelling unit per month	$ 472.88	**(I)**
Business – per connection per month	$ 472.88	**(I)**

Quantity Charge:

In addition to the stand-by charge, the customer shall pay the following monthly sewer charge per 1,000 gallons of metered domestic water consumption.

Residential - up to 7,000 gallons of metered water use	$21.2531	**(I)**
Business with water meter up to 1" – up to 7,000 gallons of metered domestic water consumption	$21.2531	**|**
Business with water meter greater than 1" – 40% of metered domestic water consumption	$21.2531	**(I)**

POWER COST CHARGE

In addition to the monthly stand-by charge and monthly quantity charge, there shall be a Power Cost Charge per 1,000 gallons of metered water usage per month up to 7,000 gallons per month for residential customers and for business customers with meters up to 1" and 40% of the metered water consumption for business customers with meters greater than 1". The amount of the Power Cost Charge shall be calculated as follows:

Previous Month's Electricity Cost
Divided by Previous Month's Total Metered TG of Water
Times 1.06385 (Public service company tax and PUC fee)

TG = Thousand Gallons of metered domestic water consumption

TAX CUTS AND JOBS ACT CREDIT

Pursuant to Orders 37124 and 37494, all customers will receive a flat monthly credit to their bills beginning February 25, 2021 and ending February 25, 2023.

All Customers – per metered connection	$9.45	**(R)**

(D)

SECTION D-3

CONTRIBUTION IN AID OF CONSTRUCTION

SEE RULE XI

SECTION E. EXHIBITS

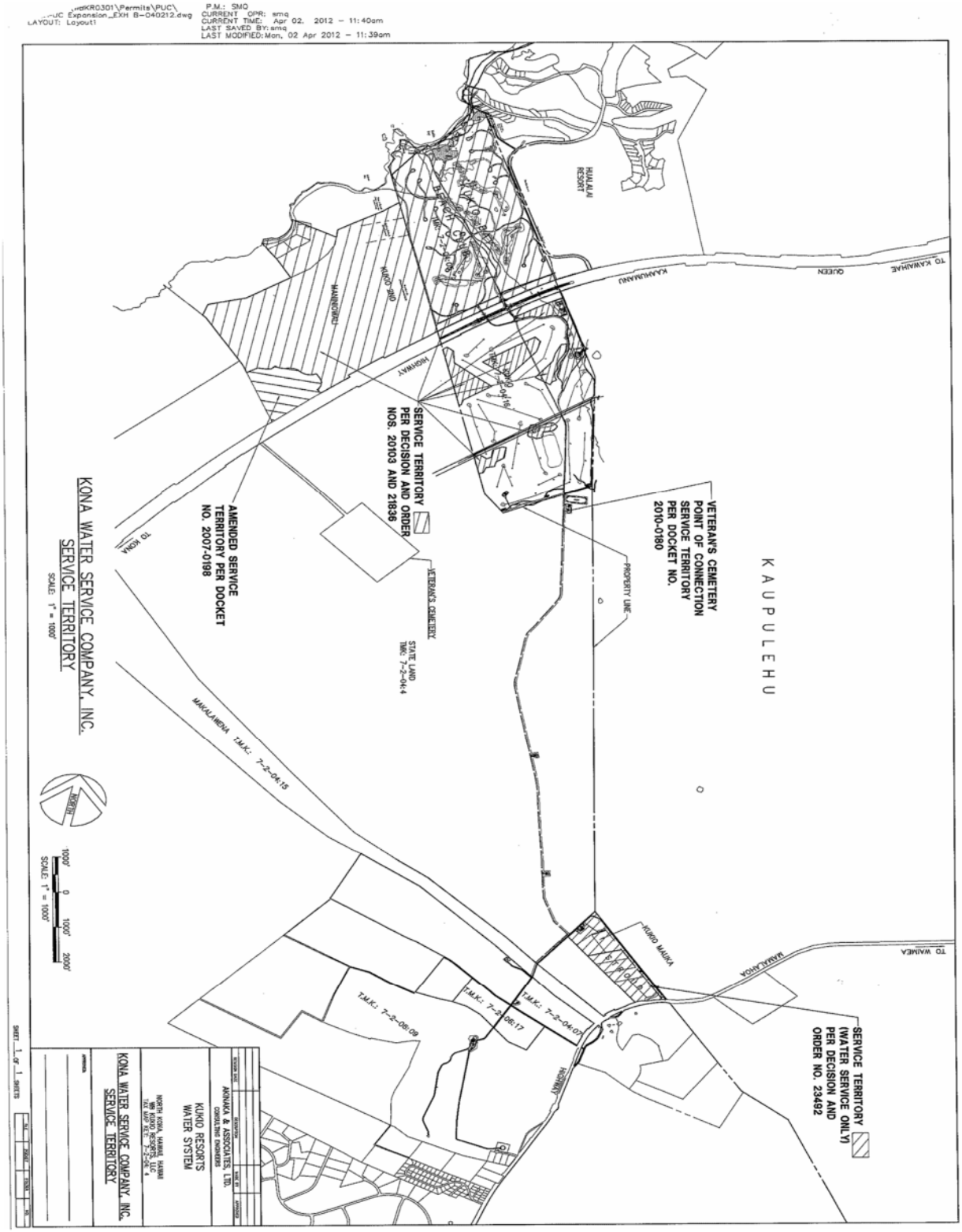

KONA WATER SERVICE COMPANY, INC.
SERVICE TERRITORY
SCALE: 1" = 1000'
KUKIO RESORTS
WATER SYSTEM
AKINAKA & ASSOCIATES, LTD.
SERVICE TERRITORY PER DECISION AND ORDER NOS. 20103 AND 21836
AMENDED SERVICE TERRITORY PER DOCKET NO. 2007-0198
VETERAN'S CEMETERY POINT OF CONNECTION SERVICE TERRITORY PER DOCKET NO. 2010-0180
SERVICE TERRITORY (WATER SERVICE ONLY) PER DECISION AND ORDER NO. 23492
KAUPULEHU
HUALALAI RESORT
QUEEN KAAHUMANU
TO KAWAIHAE
MANINOWAU
HIGHWAY
TO KONA
PROPERTY LINE
VETERAN'S CEMETERY
STATE LAND
TMK: 7-2-04:4
MAKALAWENA T.M.K.: 7-2-04:15
T.M.K.: 7-2-08:09
T.M.K.: 7-2-08:17
T.M.K.: 7-2-04:07
KUAKINI HIGHWAY
MAMALAHOA
TO WAIMEA
1000' 0 1000' 2000'
SCALE: 1" = 1000'

EXHIBIT "B"

Reserved for Later Use