

**Lady Creek Water System
Clarification of Responsibilities for Service Lines
April 16, 2012**

This policy was approved by the Lady Creek Water System (“LCWS”) Board of Directors (the “Board”) on April 16, 2012, to further clarify the existing policies of LCWS concerning the delineation of responsibilities between LCWS and members for the components of the distribution system and service lines, following discussion and modification of the Corporation’s By-laws that occurred at the Member’s Annual Meeting held on April 5, 2011. This policy update addresses the specific process for replacing shared services and any cost sharing arrangements required under the By-laws revision.

Background: The majority of LCWS members connect to the LCWS mainline with individual service lines and with a single meter located close to the mainline. In such cases, the responsibilities of LCWS and the member are generally well understood and without dispute i.e. LCWS is responsible to the point of the meter near the mainline, and the member is responsible for their service line from the meter down to their cabin. However, in the past, certain members were allowed to connect to the LCWS mainline using shared or common service lines (also referred to as branch lines). These shared service lines were allowed in the past under certain circumstances, presumably as a cost-saving approach for members. During the original installation of such shared services, LCWS did not use water meters. In most cases, water meters have been installed near the mainline at the origination point of connection of the service line, including individual and shared service lines. In many shared service line cases, additional meters have been installed at the point where the shared service line branches off into individual service lines. The additional meters installed at the branch point have created confusion among some members as to the delineation of responsibilities.

Many years ago, LCWS determined that shared service lines were detrimental to the efficient operation of the water distribution system, for reasons listed below. LCWS has maintained that such shared service lines are the sole responsibility of the members, and that LCWS’s responsibility ends at the curb stop or meter located closest to the mainline. As ownership of cabins has changed over time, and as new members have joined LCWS, knowledge of the history and arrangements behind such shared service lines has been lost. Misunderstandings regarding the respective responsibilities of the member and LCWS have occasionally occurred with respect to shared service lines and other components of the distribution system. The purpose of this policy statement is to clarify and document such policies.

Delineation of Responsibilities between LCWS and Members: Except as noted below under “Shared Service Line Exception”, LCWS is responsible for generation of the water, water treatment, and delivery through the distribution system, including all of its components, to the connection point with member service lines. LCWS is responsible for all system improvements and repairs from the headworks through the distribution system to the point of connection with member service lines. This connection point, and the point of delineation of responsibility, is the first connection point, located closest to the LCWS mainline, in the form of either a meter or a curb stop. From this first connection point, the member or members are solely responsible for all components of their service line, whether shared or individual. In cases of shared service lines, this responsibility is jointly held by the cabins receiving water from the shared service line. If leaks develop in the shared portion of

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the service line, all members receiving water from that shared service line are jointly and equally responsible for the cost of repairs to the shared service line.

Phase Out of Shared Service Lines: A survey conducted by LCWS in 1990 identified 25 shared service lines serving 55 member cabins. A decision to phase out shared service lines was made by the Board. When shared service lines developed excessive leaks, they were replaced by individual service lines at the member's expense. In some cases, when new mainline was installed in a given service area, certain shared service lines were eliminated and replaced by individual service lines as a matter of policy. In other cases of mainline replacement, old shared service lines were simply reconnected to the new mainline.

As of March 2012, to the best of the Water Master's knowledge, there are 10 remaining shared service lines serving 24 member cabins. The list of such known shared service lines, and a list of shared service lines eliminated since 1990, is attached and made a part of this policy statement. The policy of LCWS concerning shared service lines is summarized as follows:

1. Each member cabin should be connected to a meter within 15 feet of the mainline with an individual service line serving one and only one cabin.
2. Shared service lines are undesirable for the following reasons:
 - a. Some members are confused about responsibility for the shared portion of their service lines.
 - b. Members of the public, such as real estate agents, are often confused and mistaken about responsibility for the shared portion of the service line.
 - c. Problems with the shared service line disrupt water service to more than one member.
 - d. Shared service lines create a de facto partnership or joint venture among the member cabins receiving water from the shared service, potentially creating conflict among the members.
 - e. Repairs to the shared service line require cooperation and coordination of multiple members, and such repairs may be delayed because of this requirement.
3. No new shared service lines will be allowed to connect to any LCWS mainline.
4. Existing shared service lines may remain in place, so long as they are in good working order and do not leak water.
5. Leaks or other problems with shared service lines are the shared responsibility of all cabins receiving water from such shared service line and must be repaired promptly upon notice from LCWS of such problems or leaks at members' sole expense.
6. Whenever an existing shared service line develops chronic leaks or other serious problems, the members receiving water from such shared service line must install individual service lines in replacement of the shared service line, and with the exception noted below under "Shared Service Line Exception", at the member's sole expense.
7. When the mainline is replaced in a given area as part of LCWS's long-term plan to replace all of its mainline, any shared service lines connected to that mainline must be replaced by individual service lines at the members' sole expense, except as noted below under "Shared Service Line Exception".

Shared Service Line Exception: At the Member's Annual Meeting held on April 5, 2011, the By-laws amendments proposed to the members by the Board were modified by floor amendment and were approved as modified. An exception was put into the By-laws as follows:

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After April 5, 2011, in circumstances where a shared Service Line extends in distances greater than 400 feet from the Member's cabin, measured by following the shortest route acceptable under regulations of the U.S. Forest Service, there will be a shared responsibility between the Member and the Corporation in replacing shared Service Lines with individual Service Lines. The Member will be responsible for and replace the line for the first 400 feet and the Corporation will be responsible for and replace the remaining Service Line for anything beyond or in greater distance than 400 feet to the mainline. Once any such shared Service Line is replaced with individual Service Lines, the individual Members will be solely responsible for the individual Service Lines, including any necessary repairs, maintenance or replacement. Any such Service Line replacements jointly performed by the Corporation and the Member(s) under the terms of this Section 7 of Article XI will be made in accordance with all applicable plumbing codes and U.S. Forest Service regulations, using a contractor mutually acceptable to both the Corporation and the Member(s).

Application of By-Laws Section Regarding the Shared Service Line Exception: To further specify how the above by-laws section will be applied under various specific circumstances, the Board has reached the following conclusions:

1. The total distance from the mainline to the member's cabin will be measured using the shortest route acceptable to the Forest Service. The amount, if any, by which this total distance exceeds 400 feet will be the amount for which LCWS is responsible.
2. The cost of replacing a shared service line with individual lines will be shared between the members and LCWS on a pro rata basis. LCWS will reimburse the member for the pro rata share of the total cost based on the feet in excess of 400 feet from cabin to mainline.
3. LCWS's reimbursement will be based on its pro rata share of the lowest reasonable bid submitted by a qualified contractor. Such bid to be consistent with customary practices for installation of water service lines, including compliance with all plumbing codes, compliance with all U.S. Forest Service regulations, and use of reasonable and appropriate materials and installation techniques. LCWS may select a bid that is not the lowest in cost for purposes of determining the amount of reimbursement if, in the opinion of the LCWS Board, an alternative bid is more appropriate under the circumstances.
4. LCWS may assist the members with the solicitation of bids from contractors, and may provide technical assistance with the planning, design, and permitting processes. LCWS will endeavor to ensure that at least three qualified comparable bids are obtained. However, the members will select the contractor for the project and the members will contract directly with the contractor for such work.
5. The members will be responsible for obtaining all Forest Service, county, plumbing, and any other applicable permits required for the project.
6. If the members receiving water from the shared service line choose to select a contractor with a bid price higher than the lowest qualified bid, then the members will be responsible for the portion of the project cost that exceeds the qualified bid price upon which the LCWS contribution is based.
7. LCWS will reimburse its pro rata share of the cost to the members after the project is completed to the satisfaction of LCWS.

Example 1: Distance from cabin to beginning of shared line 200 feet. Distance from junction of cabin lines and shared line to mainline 200 feet. Result, LCWS would not share in any of the cost to

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replace the shared line because the total distance from cabin to mainline is 400 feet or less, and is therefore the sole responsibility of the members.

Example 2: Distance from cabin to beginning of shared line 200 feet. Distance from junction of cabin lines and shared line to mainline 400 feet. Result, LCWS would pay one half of the cost to replace the shared line and would pay nothing toward the replacement of the 200 feet of individual line; Total distance mainline to cabin is 600 feet, 200 feet above 400 foot threshold. Shared line is 400 feet long. LCWS pro rata share of cost is $200/400$ or one half.

Example 3: Distance from cabin to beginning of shared line 400 feet. Distance from junction of cabin lines and shared line to mainline 200 feet. Result, LCWS would pay the entire cost of replacing the shared line because the cabin owner has already covered the cost of 400 feet of single line from their cabin. LCWS would not pay any cost related to the existing individual lines.

Example 4: Distance from cabin "A" to beginning of shared line 400 feet. Distance from cabin "B" to beginning of shared line 200 feet. Distance from junction of individual lines to mainline (i.e. distance of shared line) 400 feet. Result, cabin "A" would pay none of the cost of the shared line replacement, because they are already responsible for the first 400 feet from their cabin. LCWS would pay 75% of the cost of replacing the shared service line, representing 50% for the cost applicable to cabin "A", and half of the 50% of the cost applicable to cabin "B". The cabin "B" pro rata portion calculated as 200 feet in excess of 400 total feet, divided by the 400 foot length of the shared line. If in this example, the members chose a contractor with a cost higher than the lowest qualified bid, then cabin "B" would be responsible for one half the excess cost over the lowest qualified bid.