EXHIBIT H
VARIANCE ADJUSTMENT & ALLOCATION POLICY
FOR THE MOULTON NIGUEL WATER DISTRICT’S WATER BUDGET BASED RATE STRUCTURE

The Variance Adjustment and Allocation Policy supersedes the Variance Procedures in Exhibit B of the Rules and Regulations of the Moulton Niguel Water District (District) for Water and Sewer Service Schedule of Rates and Charges. This Policy is divided into sections by customer class. Each customer class is divided by the relevant default water budget allocations, variances to the default allocation, and how each customer class may receive adjustments to charges in the highest tiers.

Section 1. DEFINITIONS

For the purposes of this Variance Adjustment and Allocation Policy, the following words, terms, and phrases shall be defined as follows:

A. Assistant General Manager - the Assistant General Manager of the District or his or her authorized designee.

B. Billing Unit (BU) – a unit of measuring water usage. One BU equals one hundred cubic feet (CCF) or 748 gallons of water. CCF is synonymous with BU.

C. Water budget – the allocation of water calculated by the District for each customer in accordance with the District’s Water Budget Based Rate Structure.

D. California Friendly - vegetation meeting Water Use Classifications of Landscape Species (WUCOLS) with low or very low watering needs for the South Coastal Region.

E. Customer - a person who, according to the District’s records, has an account with the District and receives water service or recycled water service to a parcel of property.

F. District - Moulton Niguel Water District.

G. Evapotranspiration - both the evaporation of water from the land surface and the transpiration of water through plants into the atmosphere. The District measures daily local evapotranspiration at 110 micro-zones throughout the service area.

H. GPCD - gallons per capita per day.

I. I9 Account customers - high traffic public space potable irrigation accounts.

J. Person - any natural person, firm, joint venture, joint stock company, partnership, public or private association, club, company, corporation, business trust, organization, public or private agency, government agency or institution, school district, college, university, any other user of water provided by the District, or the manager, lessee, agent, servant, officer or employee of any of them or any other entity which is recognized by law as the subject of rights or duties.
K. **Plant factor** - water needs of the specific type of plant that is used to calculate each customer's outdoor budget within the District’s service area and guidelines provided by state law and the State Water Resources Control Board’s Model Water Efficient Landscape Ordinance. The plant factor is a conversion factor to multiply with daily evapotranspiration to determine the daily watering needs per unit of surface area of plant coverage.

L. **Potable water** - water furnished to the customer which complies with federal and State drinking water regulations and standards, or any other applicable standards.

M. **Property owner (owner)** - the record owner of real property as shown on the most recently issued equalized assessment roll.

N. **RC9 Account customers** – recycled water customers with high traffic public spaces.

O. **Recycled water** - water which, as a result of treatment of waste, is suitable for a direct beneficial use or a controlled use that would not otherwise occur and is therefore considered a valuable resource.

P. **State** - the state of California, including any department or regulatory agency thereof.

**Section 2. RESIDENTIAL CUSTOMERS**

A. **Default Allocations**

The District’s Water Budget Based Rate Structure is intended to recover the proportionate cost of providing water service and to allocate costs to customers who place the greatest demands on the District’s water system. Any usage in excess for a customer’s total water budget results in additional costs that their higher demand places on the system. This usage, in excess of a customer’s total water budget, is reflected in charges in Tiers 3, 4, and/or 5. In certain limited circumstances, the District may grant billing adjustments for the qualified reasons as specified in Section 2.C. When an adjustment is granted, the billing units of water charged in Tiers 4 and/or 5 may be recalculated at the Tier 3 or 4 rate.

1. **Indoor Water Budget**

a. In calculating indoor water budgets, the following assumptions are made by the District: each single family customer has four (4) people per household; multi-family customers occupying condominiums have three (3) people per household; and multi-family customers occupying apartments have two (2) people per household. These assumptions are based on the most recent local census population data. Customers may request that their indoor water budget be adjusted to account for additional occupants; provided, however, if a customer requests that their indoor water budget be increased to account for more than two (2) additional occupants, the District reserves the right to request proof of residency and the customer must complete a District Residential Variance Adjustment Form.

b. **Indoor Water Budget Formula:** Each occupant is allocated 60 gallons per day, times the number of people per household and days in the billing cycle. Example: 60 gallons x 4
persons per household x 30 days in a billing cycle = 7,200 gallons ÷ 748 gallons = 9.63 is rounded to 10 Billing Units.

2. Outdoor Water Budget

a. Outdoor Water Budget is calculated using the following formula: Landscaped Area (Square Footage) x ET (Evapotranspiration) x 0.7 (Plant Factor) x 0.62 (Conversion Factor) = Gallons ÷ 748 gallons = Billing Units.

b. Irrigated acreage is either determined by the District’s Geographic Information System, County Assessor parcel data, site survey conducted by the District, or by customer input through the variance process.

B. Variances to Allocations

1. General Information

a. It is the sole responsibility of the customer to contact the District to request variances to his or her base indoor and/or outdoor water budget through a Residential Variance Adjustment Form.

b. Acceptable proof will be required for each variance request at the discretion of the District. Acceptable proof to receive a variance to the default allocation includes, but is not limited to, site plans, or a list of people living in the residence.

c. Once a variance is approved, it will become effective on the next bill. An approved variance request will increase the base allocation (Tier 1 and/or Tier 2), and will be determined on a case-by-case basis.

d. No retroactive budget variances will be made for increases in household population or medical needs.

e. The District will adjust up to the most recent previous bill for a verified increase to the estimated landscape area. Note that for a residential customer, it takes approximately 300 square feet of an increase in landscape area to increase the outdoor water budget by one (1) billing unit in the summer months.

f. Any customers providing falsified information to the District may be liable for back charges. Bill calculations based on falsified information will be recalculated with corrected customer account details.
2. Relevant Factors That May Support a Variance

a. Number of people residing in a dwelling unit

A customer may apply for a variance to change the default number of people in the household used to calculate the indoor water budget. Each additional person increases the indoor base allocation (Tier 1) by 2.4 billing units per month (the resulting allocation is rounded to the nearest whole billing unit, e.g., 4.8 is rounded to 5) based on a 30-day billing cycle. Customers may request a variance for additional occupants by completing a Residential Variance Adjustment Form. Example: (60 gallons per person x 30 days = 1,800 gallons ÷ 748 gallons = 2.4, rounded to 2 Billing Units). The District may request additional documentation for verification of the number of people in the household.

b. Landscape Area

Any change to the outdoor water budget due to increased irrigated areas will be calculated using the outdoor water budget formula:

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\text{Landscaped Area (Square Footage)} \times \text{ET (Evapotranspiration)} \times 0.7 \times \text{(Plant Factor)} \times 0.62 \times \text{(Conversion Factor)} = \text{Gallons} \div 748 \text{ gallons} = \text{Billing Units}
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c. Licensed Child Care or Adult Care Facility

If a customer has a licensed care facility, the customer may request an increase to his or her default indoor water budget. A current license from the appropriate regulatory agency is required.

i. A licensed, less than 24-hour, care facility will be allocated one (1) billing unit per person, per month.

An example of a less than 24-hour care facility is a Child Care Facility. Each additional person increases the indoor, or Tier 1, water budget, by 20 gallons per person per day (20 gallons per person x 30 days = 600 gallons ÷ 748 gallons = 0.80, rounded to 1 Billing Unit).

ii. A licensed 24-hour care facility will be allocated an additional 60 gallons per person per day.

An example of a 24-hour care facility is a full-time Adult Care Facility. Each additional person will be allocated 2.4 billing units per month based on a 30 day billing cycle (60 gallons per person x 30 days = 1,800 gallons ÷ 748 gallons = 2.4 is rounded to 2 Billing Units).
d. Medical Needs

Approval of a variance for medical needs is contingent upon verifiable medical documentation, such as a doctor’s note. Increased allocations will be determined on a case-by-case basis.

e. Livestock (weighing over 100 pounds each)

A variance to a customer’s indoor water budget may be requested for livestock. Livestock is allocated 15 gallons per animal over 100 pounds, per day, based on veterinary standards and may increase the Tier 1 allocation. Variance for livestock will be limited to the maximum number of animals (times 15 gallons per animal over 100 pounds) established by the applicable municipal ordinances.

3. Procedure

a. A Residential Variance Adjustment Form must be submitted to the District. Residential Variance Adjustment Forms can be obtained at the District’s Main Office or online at www.mnwd.com.

b. Additional documentation may be requested at the discretion of the District (school records, driver’s licenses, business licenses, lease agreements, etc.). The documentation will be for review only. The District may not retain any copies of such additional documentation.

c. Once a Residential Variance Adjustment Form has been received, a site survey may be required by District staff to verify the customer’s irrigated square footage. The site survey will be at no charge to the customer and will require the customer to be present.

d. A response to variance requests will be provided by the District, either by phone or email.

e. In the event a variance request is denied, the Residential Variance Adjustment Form may be resubmitted for further review. Decisions made by the Assistant General Manager are final.

C. Adjustment of Charges

1. Pool Fill

a. General

Adjustments to a customer’s water bill for pool fills, partial or complete draining and refilling, due to general periodic water quality maintenance, pool equipment or plaster repair is granted once every five (5) years. The volume of water required to refill the pool in excess of the customer’s outdoor water budget will be billed at the Tier 3 rate. Partial or complete draining and refilling are considered as pool fills, and are granted once every five years. Refilling due to normal evaporation does not qualify for an adjustment. To receive a
billing adjustment, the customer must submit a written request to the District for the bill adjustment. Such a request shall provide sufficient information for the District to verify that the pool fill, or partial or complete draining and refilling occurred.

b. Limitations

Any subsequent pool fills, partial or complete draining and refilling, required within the five (5) year period are eligible to be considered on a case-by-case basis for a possible bill adjustment.

2. Leak Repair

a. General

Customers may request a bill adjustment if they accrue any charges above their water budget within Tiers 4 and/or 5 due to leaks (indoor or outdoor), stuck irrigation valves, broken pipes, etc. When an adjustment is made for a repaired leak and usage for the most recent bill is within the total water budget, the excess billing units of water attributed to the leak and charged in Tiers 4 and/or 5 may be recalculated at the Tier 3 rate for the most recent bill. Customers must be within their total water budget prior to receiving an adjustment and will only receive an adjustment on the billed issued immediately prior to the adjustment approval.

b. Limitations

To be eligible for a leak adjustment, the customer is required to contact the District within one (1) month of receiving the bill affected by the leak. If the leak adjustment is approved, the most recent bill may be adjusted, and the adjustment will be made in the form of a credit to the customer’s account. No checks will be issued. There is a maximum of three (3) leak adjustments per year for each customer account, barring extenuating circumstances, to be determined at staff discretion. If a customer is notified by the District of an apparent leak, the customer must fix the leak within seven (7) days to qualify for a leak repair adjustment.

3. New Landscape Establishment - New California Friendly Landscapes

a. General

Customers re-landscaping the majority of their yards with new California Friendly landscapes may request a bill adjustment if they incur usage above Tier 3 for the first two (2) months of the landscape establishment period. The customer is required to contact the District for each billing period during the two (2) month establishment period in order to receive the bill adjustment(s).
b. Limitations

If a customer would like to take advantage of the new planting adjustment, the new plants must be installed between November and April. To be eligible for a new landscape establishment bill adjustment, the customer is required to contact the District within one (1) month of receiving the bill affected by their new landscape establishment. All qualifying bills must have charges that fall within Tiers 4 and/or 5. Any charges within Tiers 4 and/or 5 may be recalculated at the Tier 3 rate, up to a maximum of two (2) bills. All bill adjustments will be made in the form of a credit to the customer’s account. No checks will be issued.

4. Courtesy Adjustments - New Customer

a. General

A courtesy adjustment may be authorized for new customers within the first year. New customers are eligible for one (1) courtesy adjustment within the first 12 months of starting water service within the District for their most recent bill at the time of notification to the District. To be eligible for a courtesy adjustment, a customer must have been billed within Tiers 4 and/or 5.

b. Limitations

To be eligible for a courtesy adjustment, the customer is required to contact the District within one (1) month of receiving the bill with charges above their water budget in Tiers 4 and/or 5. Any billing units that were billed within Tiers 4 and/or 5 will be recalculated at the Tier 3 rate. All bill adjustments will be made in the form of a credit to the customer’s account. No checks will be issued.

5. Irrigation Timer Malfunction

a. General

Once every three (3) years, a customer will be allowed one bill adjustment due to an irrigation timer malfunction.

b. Limitations

Bills adjusted for an irrigation timer malfunction will be limited to their most current bill. All billing units that were billed in Tiers 4 and/or 5 will be recalculated at the Tier 3 rate. All bill adjustments will be made in the form of a credit to the customer’s account. No checks will be issued.
Section 3. COMMERCIAL CUSTOMERS

A. Default Allocations

The District's Water Budget Based rate structure is intended to recover the proportionate cost of providing water service and to allocate costs to commercial customers who place the greatest demands on the District's water system. Any usage in excess for a customer's total water budget results in additional costs that their higher demand places on the system. This usage, in excess of a customer's total water budget, is reflected in charges in Tiers 2, 3 and/or 4. In certain limited circumstances, the District may grant a billing adjustment for the qualified reasons as specified in Section 3.C. When an adjustment is made, the billing units of water charged in Tiers 3 and/or 4 may be recalculated at the Tier 2 rate.

1. Total Water Budget
   a. Commercial customers will be given a water budget based on a three (3) year rolling average of each commercial customer's usage.
   b. New commercial customers who do not have a consumption history with the District will be billed at the Tier 1 rate and will not incur any over-budget charges for the first year. After the first year, new commercial customers will be billed as existing commercial customers, and their allocation will be based on the monthly usage in the first year. After two (2) years of consumption history, commercial customers will be billed with a water budget that averages the usage of each respective month within the first two (2) years. After three (3) years, commercial customers will utilize a three (3) year rolling average of each respective month as their allocation.

B. Variances to Allocations

1. General Information
   a. It is the sole responsibility of the customer to contact the District to request variances to their base water budget through a District Commercial Variance Adjustment Form.
   b. Acceptable proof will be required for each variance request at the discretion of the District. Acceptable proof to receive a variance to the default water budget includes, but it not limited to, site plans.
   c. An approved variance will become effective with the bill following the date the District approves the Commercial Variance Adjustment Form request. An approved variance request will increase the base water budget (Tier 1), and will be determined on a case-by-case basis.
   d. Commercial customers may request a budget variance if they accrue any charges above their water budget within Tiers 3 and/or 4 due to expansion of production capacity, additional employees, new technology, adjustments to irrigated acreage, etc. Such changes may require verification by the District.
e. Any commercial customer providing falsified information to the District may be liable for back charges. Bill calculations based on falsified information will be recalculated with corrected customer account details.

2. Procedure

a. A Commercial Variance Adjustment Form must be submitted to the District. Commercial Variance Adjustment Forms can be obtained at the District’s Main Office or online at www.mnwd.com.

b. Additional documentation may be requested at the discretion of the District. The documentation will be for review only. The District will not retain any copies of such additional documentation.

c. Once a Commercial Variance Adjustment form has been received, a site survey may be required by District staff to verify the customer’s request. The site survey will be at no charge to the customer and will require the customer to be present.

d. A response to variance requests will be provided by the District, either by phone or email.

e. In the event a variance request is denied, the Commercial Variance Adjustment Form may be resubmitted for further review. Decisions made by the Assistant General Manager are final.

C. Adjustment of Charges

1. Pool Fill

a. General

Adjustments to a customer’s water bill for pool fills, partial or complete draining and refilling, due to general periodic water quality maintenance, pool equipment or plaster repair is granted once a year. The volume of water required to refill the pool in excess of the customer’s outdoor water budget will be billed at the Tier 2 rate. Partial or complete draining and refilling are considered as pool fills, and are granted once a year. Refilling due to normal evaporation does not qualify for an adjustment. To receive a billing adjustment, the customer must submit a written request to the District for the bill adjustment. Such a request shall provide sufficient information for the District to verify that the pool fill, or partial or complete draining and refilling occurred.

b. Limitations

Any subsequent pool fills, partial or complete draining and refilling, required within year period are eligible to be considered on a case-by-case basis for a possible bill adjustment.
2. Leak Repair

a. General

Commercial customers may request a bill adjustment if they accrue any usage charges above their water budget within Tiers 3 and/or 4 due to leaks (indoor or outdoor), stuck irrigation valves, broken pipes, etc. When an adjustment is made for a repaired leak and usage for the most recent bill is within the total water budget, the excess billing units of water attributed to the leak and billed in Tiers 3 and/or 4 may be recalculated at the Tier 2 rate for the most recent bill. Customers must be within their total water budget prior to receiving an adjustment and will only receive an adjustment on the billed issued immediately prior to the adjustment approval.

b. Limitations

To be eligible for a leak adjustment, the commercial customer is required to contact the District within one (1) month of completing the leak repair. If the leak adjustment is approved, the most recent bill may be adjusted, and the adjustment will be made in the form of a credit to the customer's account. No checks will be issued. There is a maximum of three (3) leak adjustments per year for each customer account, barring extenuating circumstances, to be determined at staff discretion. If a commercial customer is notified by the District of an apparent leak, the customer must fix the leak within seven (7) days to qualify for a leak repair adjustment.

3. New Landscape Establishment - New California Friendly Landscapes

a. General

Commercial customers re-landscaping sites with California Friendly landscapes may request a bill adjustment if they incur usage above Tier 2 for the first two (2) months of the landscape establishment period. The customer is required to contact the District for each billing period during the two (2) month establishment period in order to receive the bill adjustment(s).

b. Limitations

If a commercial customer would like to take advantage of the new planting adjustment, the new plants must be installed between November and April. In order to be eligible for a new landscape establishment bill adjustment, the customer is required to contact the District within one (1) month of receiving the bill affected by their new landscape establishment. All qualifying bills must have charges that fall within Tiers 3 and/or 4. Any charges within Tiers 3 and/or 4 may be recalculated at the Tier 2 rate. Commercial customers may receive up to one (1) bi-monthly or two (2) monthly bill adjustments, whichever is applicable. All bill adjustments will be made in the form of a credit to the customer's account. No checks will be issued.
Section 4. POTABLE AND RECYCLED WATER IRRIGATION CUSTOMERS

A. Default Allocations

The District’s Water Budget Based Rate Structure is intended to recover the proportionate cost of providing water service and to allocate to potable and recycled water irrigation customers (irrigation customers) who place the greatest demands on the District’s potable water and recycled water systems. Any usage in excess for a customer’s total water budget results in additional costs that their higher demand places on the system. This usage, in excess of a customer’s total water budget, is reflected in charges in Tiers 2, 3 and/or 4. In certain limited circumstances, the District may grant a billing adjustment for the qualified reasons as specified in Section 4.C. When an adjustment is made, the billing units of water charged in Tiers 3 and/or 4, may be recalculated at the Tier 2 rate.

1. Outdoor Water Budget
   
a. Irrigation customers are given a water budget based on the actual square footage that each meter connection irrigates.

   i. Potable Irrigation water budget formula is as follows: Landscaped Area (Square Footage) x ET (Evapotranspiration) x 0.7 (Plant Factor) x 0.62 (Conversion Factor) = Gallons ÷ 748 gallons = Billing Units

   ii. Recycled Water Irrigation water budget formula is as follows: Landscaped Area (Square Footage) x ET (Evapotranspiration) x 0.8 (Plant Factor) x 0.62 (Conversion Factor) = Gallons ÷ 748 gallons = Billing Units

   iii. Public Space Irrigation water budget formula for RC9 and I9 Accounts is as follows: Landscaped Area (Square Footage) x ET (Evapotranspiration) x 1.0 (Plant Factor) x 0.62 (Conversion Factor) = Gallons ÷ 748 gallons = Billing Units

b. Irrigated acreage is either determined by the District’s Geographic Information System, site surveys conducted by the District, measurements provided by the Landscape Certification Program, or by customer input through the variance process.

B. Variances to Allocations

1. General Information

   a. It is the sole responsibility of the irrigation customer to contact the District to request a variance to their base water budget through a District Commercial Variance Adjustment form.
b. Acceptable proof will be required for each variance request at the discretion of the District. Acceptable proof to receive a variance to the default water budget includes, but is not limited to, site plans.

c. An approved variance will become effective with the bill following the date the District approves the Commercial Variance Adjustment form. An approved variance request will increase the base allocation (Tier 1), and will be determined on a case-by-case basis.

d. Any irrigation customer providing falsified information to the District may be liable for back charges. Bill calculations based on falsified information will be recalculated with corrected customer account details.

2. Relevant Factors That Could Support a Variance

a. Landscape Area

Increases in landscape area resulting from a site measurement performed by the District or approved site drawing provided by the customer will result in an increase to the Tier 1 allocation. Any changes to the water budget due to increased irrigated areas will be calculated using the applicable outdoor water budget formula detailed in Section 4.A.1.a.

3. Procedure

a. An irrigation customer requesting a variance must submit to the District a Commercial Variance Adjustment Form. Commercial Variance Adjustment forms can be obtained at the District's Main Office or online at www.mnwd.com.

b. Additional documentation may be requested at the discretion of the District. The documentation will be for review only. The District will not retain any copies of such additional documentation.

c. Once a Commercial Variance Adjustment form has been received, a site survey may be required by District staff to verify the customer’s request. The site survey will be at no charge to the customer and will require the customer to be present.

d. A response to variance requests will be provided by the District either by phone or email.

e. In the event a variance request is denied, the Commercial Variance Adjustment form may be resubmitted for further review. Decisions made by the Assistant General Manager are final.
C. Adjustment of Charges

1. Leak Repair
   a. General

   Customers may request a bill adjustment if they accrue any charges above their water budget within Tiers 3 and/or 4 due to leaks (indoor or outdoor), stuck irrigation valves, broken pipes, etc. When an adjustment is made for a repaired leak and usage for the most recent bill is within budget, the excess billing units of water attributed to the leak and billed in Tiers 3 and/or 4 may be recalculated at the Tier 2 rate for the most recent bill. Customers must be within their total water budget prior to receiving an adjustment and will only receive an adjustment on the billed issued immediately prior to the adjustment approval.

   b. Limitations

   To be eligible for a leak adjustment, the irrigation customer is required to contact the District within one (1) month of completing the leak repair. If the leak adjustment is approved, the most recent bill may be adjusted, and the adjustment will be made in the form of a credit to the customer’s account. No checks will be issued. There is a maximum of three (3) leak adjustments per year for each customer account, barring extenuating circumstances, to be determined at staff discretion. If a customer is notified by the District of an apparent leak, the customer must fix the leak within seven (7) days to qualify for a leak repair adjustment.

2. New Landscape Establishment - New California Friendly Landscapes
   c. General

   Irrigation customers re-landscaping sites with California Friendly landscapes may request a bill adjustment if they incur usage above Tier 2 for the first two (2) months of the landscape establishment period. The customer is required to contact the District for each billing period during the two (2) month establishment period in order to receive the bill adjustment(s).

   d. Limitations

   If an irrigation customer would like to take advantage of the new planting adjustment, the new plants must be installed between November and April. In order to be eligible for a new landscape establishment bill adjustment, the customer is required to contact the District within one (1) month of receiving the bill affected by their new landscape establishment. All qualifying bills must have charges that fall within Tiers 3 and/or 4. Any charges within Tiers 3 and/or 4 may be recalculated at the Tier 2 rate. Potable irrigation and recycled water customers may receive up to one (1) bi-monthly or two (2) monthly bill adjustments, whichever is applicable. All bill adjustments will be made in the form of a credit to the customer’s account. No checks will be issued.
3. Courtesy Adjustments - New Customer

c. General

A courtesy adjustment may be authorized for new customers within the first year. New customers are eligible for one (1) courtesy adjustment within the first 12 months of starting water service within the District for their most recent bill at the time of notification to the District. To be eligible for a courtesy adjustment, a customer must have been billed within Tiers 3 and/or 4.

d. Limitations

To be eligible for a courtesy adjustment, the customer is required to contact the District within one (1) month of receiving the bill with charges above their water budget in Tiers 3 and/or 4. Any billing units that were billed within Tiers 3 and/or 4 will be recalculated at the Tier 2 rate. All bill adjustments will be made in the form of a credit to the customer's account. No checks will be issued.