

North Shelby Water Company

P.S.C. Ky. No. 2
First Amended Sheet No. 10.1

Canceling P.S.C. Ky. No. 2
Original Sheet No. 10

RULES AND REGULATIONS

Company's Liability:

The Company shall not be liable for damage of any kind whatsoever resulting from water or the use of water on the member's premises, unless such damage results directly from negligence on the part of the Company. The Company shall not be responsible for any damage done by or resulting from any defects in piping, fixtures, or appliances on the Member's premises. The Company shall not be responsible for negligence of third persons, or forces beyond the control of the Company resulting in any interruption of service.

Interruption of Service:

The Company will use reasonable diligence in supplying water service, but shall not be liable for breach of contract in the event of, or for loss, injury, or damage to persons or property resulting from interruptions in service, excessive or inadequate water pressure, or otherwise unsatisfactory service, whether or not caused by negligence.

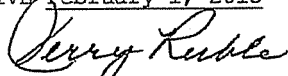
Public and Private Fire Suppression: (C)

The public fire hydrants and flush hydrants installed on the distribution lines of this Company are for the purpose of flushing the lines or other uses by the Company necessary for proper maintenance of the system, and for use in fire-fighting activities. The Company does not guarantee any particular flow rate or pressure to these hydrants or to any customer's private fire suppression system. The flow rate and pressure may vary depending upon other water demands on the system, various water facility limitations, or other circumstances, including but not limited to a closed fire hydrant or other valve, frozen fire hydrants, line break(s), low or empty water tank(s), drought or other act of God, altitude valve failure(s), telemetry failure(s), and/or power failure(s). If fire hydrants are used by fire suppression units in the performance of their duty, any damage to the Company's water system will be the liability of that unit.

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Jerry Ruble, President

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Fire Hydrants:

Except where required for flushing or air release, new fire hydrants shall not be installed unless (1) the Company's engineer determines the flow rate from the fire hydrant at the proposed location will meet the minimum requirements of the Kentucky Public Service Commission including a minimum residual pressure of 30 psi and a minimum flow of 250 gallons per minute for at least two (2) hours at the maximum daily rate, and (2) the fire hydrant will be located on a water main no smaller than 8 inches if a dead-end line and 6 inches if a looped line, all of which lines must extend back to the overhead storage tank serving as the principal water supply for that fire hydrant. Existing fire hydrants that do not meet these minimum requirements shall, unless required for flushing or air release, be removed upon request in writing by the affected fire department.

Maintenance of public fire hydrants is the responsibility of the Company, except that the local fire departments are responsible for maintenance of the following items: (1) lubricating the threads of the discharge caps and the operating nut of the fire hydrant; (2) maintaining accessibility and visibility; (3) ensuring the valve for each fire hydrant is in the "open" position (fire trucks should carry valve wrenches for this purpose) unless the hydrant is being repaired; (4) painting the fire hydrant including, if desired, color-coding based upon anticipated flow rates; and (5) removing any obstructions to use or visibility of each of each fire hydrant.

Testing and inspection of public fire hydrants to ascertain they are in good operating condition and meet the desired flow rate and pressure is the sole responsibility of the fire department within whose service territory each hydrant is located. Any deficiency shall be reported in writing to the Company. Testing of public fire hydrants shall be in accordance with and subject to the penalties set forth in the Fire Department regulation of this Tariff.

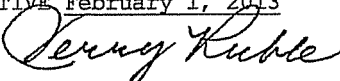
All testing and maintenance of private fire hydrants and private fire suppression systems is the responsibility of the customer. Testing of private fire hydrants and private fire suppression systems will be permitted only under conditions agreed to in advance by the Company. Testing is not allowed unless the District is advised in advance of the testing.

No customer or property owner shall install or permit to remain anything which obscures, or interferes with unobstructed access to, any fire hydrant. The Company hereby assigns to the fire department, within whose service area each fire hydrant is located, the non-exclusive right to use the Company's

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easements, where each such hydrant is located, for the purposes of maintenance, testing, training and firefighting, and removing any obstructions.

Except where required for flushing or air release, a new fire hydrant shall not be installed unless the Company is reimbursed for the cost of installation. Installation of fire hydrants at the request of a fire department or a governmental entity on an existing line will be installed by the Company for the cost of materials only, or a new line for the cost of labor and materials unless the Board of Directors for cause decides to waive the labor expense. Fire hydrants requested by customers will be installed for the cost of labor and materials.

Other than by the Company, fire hydrants and flush hydrants shall not be used by any contractor, property owner, governmental agency other than a fire department, individual, corporation, or others to secure water for any purpose other than fire suppression. The use of a fire hydrant by anyone other than the Company or properly authorized fire department personnel for fighting a fire, testing, or training in accordance with the Fire Department regulation, or the use of a private fire suppression system for any purpose other than fighting a fire or upon prior agreement with the District testing or training, shall be considered a "theft of service" and prosecuted in accordance with the laws of the Commonwealth of Kentucky.

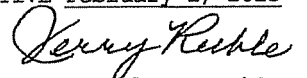
MINIMUM LINE SIZE: (C)

The Company shall not install or accept any water distribution or transmission lines less than six (6) inches in diameter, except that (1) a 4-inch water line may be installed if it is a dead-end line with no realistic chance of future extension; (2) a 4-inch water line may be installed in situations where the Company engineer certifies that a larger water line will create a situation requiring excessive flushing to maintain legally required water standards and the smaller water line is approved by the Board of Directors; or (3) a smaller water line may be installed if the Company makes an extension into the service area or territory of another utility and the line meets the minimum size requirements of that utility; provided, however, that all lines on which fire hydrants will be installed must meet the minimum size and other requirements in these rules and regulations for new fire hydrant installation. A service line leading to a customer's single meter may be a smaller diameter. The Company will, if feasible and consistent with KRS 74.415, require all newly constructed water lines to be adequately sized to support fire hydrants.

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P.S.C. Ky. No.	<u>2</u>
Second Amended Sheet No.	<u>11</u>
Canceling P.S.C. Ky. No.	<u>2</u>
First Amended Sheet No.	<u>11</u>

MONITOR BILLS FOR UNUSUAL VARIANCE: (C)

The Company shall continue computer monitoring of the customer's meter readings for unusual usage variances, which monitoring process shall include a printout, prior to actual billing, of any such unusual variances. If the customer's usage is unduly high and the deviation is not otherwise explained, the Company shall test the meter in accordance with Public Service Commission requirements.

DISTRIBUTION EXTENSIONS:

Any person desiring an extension to the Company's system shall request same in writing on a form approved by the Company for such extensions. Any requested extension shall be provided as follows:

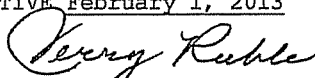
The Company shall determine the total cost of the proposed water main extension (exclusive of the meter connection) and the total length of the extension. The Company shall pay that portion of the cost of the water main extension equal to 50 feet for each applicant for service (the "50' rule contribution" as required by 807 KAR 5:066 §12(1)). That part of the cost not covered by the Company's portion shall be contributed equally by those applicants desiring service on the main extension. Each applicant will also be required to pay the Company's approved "Tap-on-fee" for a meter connection to the main extension.

For a period of ten years after the original construction of the main extension each additional customer directly connected to each particular extension will be required to contribute to the cost of

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