

ROWAN WATER, INC.

**110 Hargis Avenue
Morehead, Kentucky 40351**

WATER SHORTAGE PLAN

November 12, 2002

**PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
8/18/2005
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)**

By 
Executive Director

I. PURPOSE

The purpose of this water shortage plan (WSP) is to enforce water conservation measures and to allow for equitable and fair distribution of available water during water shortage situations.

II. APPLICABILITY

The provisions of this WSP shall apply to all customers (retail and wholesale) of Rowan Water, Inc. (RWI). When implemented, this WSP becomes RWI's Water Shortage Response Regulation.

III. DETERMINATION OF A WATER SHORTAGE

RWI will monitor the availability of treated drinking water from its sole supplier, the Morehead Utility Plant Board (MUPB). Official determination of a water shortage by RWI will be coordinated with MUPB determinations of a water shortage. Termination of any type of water shortage stage shall be consistent with MUPB termination of such stage. RWI will make a formal determination of termination, and publish notice of such termination.

IV. WATER SHORTAGE CRITERIA, CONSERVATION, AND CURTAILMENT MEASURES

A. ADVISORY STAGE

- i. Criteria: Conditions exist which indicate the potential for serious water supply shortages and the MUPB determines that such potential exists
- ii. Conservation and Curtailment Measures:
 - a. Declare a Water Shortage Advisory
 - b. Provide notice to all local new media.
 - c. Request voluntary conservation by all customers.

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B. ALERT STAGE

- i. Criteria: Raw water supplies for the treatment plant are consistently below seasonal averages, and if they continue to decline, may not be adequate to meet normal needs, and the MUPB determines such a situation exists.
- ii. Conservation and Curtailment Measures:
 - a. Declare Water Shortage Alert.
 - b. Provide notice to all local news media.
 - c. Ban all non-essential water uses for duration of the alert stage, consistent with the non-essential uses described in the MUPB Water Shortage Plan.

C. EMERGENCY STAGE

- i. Criteria: Water supplies are below the level necessary to meet normal needs and a serious shortage exists, as determined by MUPB.
- ii. Conservation and Curtailment Measures:
 - a. Declare Water Shortage Emergency
 - b. Provide notice to all local news media.
 - c. Coordinate daily monitoring of water supply with MUPB.
 - d. Target selected essential use customers, consistent with MUPB Plan, for voluntary conservation.
 - e. Ban all Class 2 and Class 3 (consistent with MUPB Plan) uses, for the duration of the emergency stage.
 - f. Proportionally restrict drinking water supply to RWI customers in proportion to MUPB restrictions placed on RWI, pursuant to the Water Purchase Contract between RWI and MUPB.

V. EXCESS USAGE FEES

- A. RWI may, upon declaration of any stage of a water shortage, implement temporary excess usage fees for all its customers. Such fees may include, but not be limited to, higher charges per unit for increasing usage (increasing block rates), extra charges for usage beyond a specific level, or discounts for conserving water beyond specified level.

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8/18/2005
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By



Executive Director July 13, 2005

- B. All funds received from Excess Usage Fees shall be placed in a separate account which maybe used only for the following purposes, and subject to approval by the Kentucky Public Service Commission:
- i. To offset loss of revenue from decreased water sales.
 - ii. To offset increased operating expenses directly attributable to the water shortage.
 - iii. To develop additional water sources, improve existing sources of water supply, or to help alleviate the water shortage problem.
- C. Such funds shall be subject to general refund, if ordered by the Kentucky Public Service Commission.

VI. WHOLESALE CUSTOMERS

Excess usage fees will not apply to wholesale customers that have adopted and are enforcing a water shortage plan that is substantially similar to the RWI water shortage plan.

VII. REQUEST FOR EXEMPTION

A. EXEMPTION TO WATER USE RESTRICTIONS

If compliance with the conservation and curtailment measures described in this plan would cause an extraordinary hardship, the affected person or entity may apply to RWI for an exemption. For these proposes, "extraordinary hardship" shall be defined as a condition which may threaten health and safety, or which may cause property or economic losses, each of which must be shown to be substantially more severe that the sacrifices borne by other RWI users. If found by RWI that an extraordinary hardship exists, then an exemption may be granted and a written waiver for that customer may be issued. Water service will be continued until RWI's decision is announced. Any person aggrieved by RWI's decision may file a complaint with the Kentucky Public Service Commission.

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8/18/2005

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SECTION 9 (1)

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B. EXEMPTION TO EXCESS USAGE FEES

There will be no exemptions from payment of excess usage fees.

VIII. ENFORCEMENT

Regarding enforcement of water use restrictions during declared water shortage stages:

Any person who violates the provisions of this plan, who fails to carry out the duties and responsibilities imposed by the plan, or who impedes or interferes with any action undertaken or ordered pursuant to this plan, shall be subject to the following:

- A. A written notice of the violation will be affixed to the property and mailed to the customer of record and to any person known to RWI who is responsible for the violation or its correction. The notice will describe the violation and order that it be corrected immediately or within a specified time as determined by RWI to be reasonable under the circumstances. If the violation is not corrected as ordered, RWI may terminate the customer's water service subject to the following:
- i. The customer shall have the opportunity to appeal the termination by requesting a hearing before the RWI officials.
 - ii. If such hearing is requested, the customer will be given full opportunity to be heard before the termination is implemented.
 - iii. RWI officials will make findings of fact and order whether service should continue or be terminated.
- B. The reconnect fee as shown in RWI current approved tariff shall be paid for the reconnect of service terminated as described above.
- C. Enforcement will be applied in addition to, and separately from, Excess Usage Fees described in earlier sections of this plan.

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IX. LIABILITY

- A. Rowan Water, Inc. (RWI) will not be liable for any loss, cost, danger, injury or expense that may be sustained by reasons of partial or complete curtailment or interruption of water service.
- B. When the causes of the curtailment or interruption cease, but not sooner than a formal termination determination by RWI, appropriate service will be restored to all customers as soon as possible.

X. SEVERABILITY

If any provision in this Water Supply Plan is unconstitutional, or the application thereof to any person or circumstance is held invalid, the constitutionality of the remainder of the Water Supply Plan and its applicability to other persons and circumstances shall not be affected thereby.

XI. EFFECTIVE DATE

The effective date of this Water Supply Plan shall be as noted in a formal resolution by the RWI Board adopting the Plan. The effective date is Nov 13, 2002.

XII. EFFECTIVE PERIOD

This Water Shortage Plan shall remain in effect until formally terminated by RWI.

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SECTION 9 (1)

By  _____
Executive Director

___ the present Water Shortage Response Plan is not adequate to meet the Water Utility's current needs and we intend to submit to the Commission within 30 days of this Certification a revised Water Shortage Response Plan or a request for additional time to revise the Water Utility's current Water Shortage Response Plan.

___ 5. The Water Utility does not currently have a Water Shortage Response Plan on file with the Commission but intends to submit such a plan to the Public Service Commission within 30 days of this Certification.

___ 6. The Water Utility does not currently have a Water Shortage Response Plan but intends to prepare and submit such a plan to the Public Service Commission within 30 days of this Certification.

Steve Eldridge
(Signature of Chief Executive Officer)

COMMONWEALTH OF KENTUCKY

COUNTY OF Rowan

Jerry Patrick, being duly sworn this 12th day of July, 2005, states that he or she is the chief executive officer of Rowan Water, Inc., that he or she has completed this Certification and that, to the best of his or her knowledge, information and belief, the contents of this Certification are true and accurate.

Jerry Patrick
Notary Public

My Commission expires: 9/1/08

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SECTION 9 (1)

(Completed forms should be mailed to: Executive Director, Public Service Commission of Kentucky, Post Office Box 615, Frankfort, KY 40602-0015)
BY [Signature] Executive Director

RECEIVED

JUL 19 2005

PUBLIC SERVICE COMMISSION

CERTIFICATION

(Mark all applicable Statements. "Chief Executive Officer" as defined in this document means the owner of the water distribution and treatment facilities, president or chairman of the corporation that owns the water distribution and treatment facilities, or the chairman of the board of commissioners of the water district that owns the water distribution and treatment facilities.)

I, STEVE ELDRIDGE, the Chief Executive Officer of
(Name of Chief Executive Officer)

ROWAN WATER INC. ("Water Utility"), hereby certify the
(Name of the Water Utility)

following:

1. The Water Utility's officers and I have reviewed within the last 180 days the Water Utility's current projections for the current year's maximum demand for water service and capacity to meet this demand.

2. Based upon our review of these projections and the Water Utility's capacity, we

do not reasonably anticipate any problems meeting the Water Utility's expected maximum demand for the current year.

anticipate potential service problems and have taken actions to enable the Water Utility to meet its expected maximum demand for the current year.

anticipate potential service problems and are unable to certify that the Water Utility will meet its expected maximum demand for the current year.

3. The Water Utility's officers and I have reviewed within the last 180 days the Water Utility's Water Shortage Response Plan that is on file with the Public Service Commission to ensure that such plan meets the Water Utility's present needs.

4. Based upon our review of the Water Utility's filed Water Shortage Response Plan, we believe that:

this plan is adequate to meet the utility's present needs.

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