



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**

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POST OFFICE BOX 615  
FRANKFORT, KY. 40602  
(502) 564-3940

March 3, 1998

Mr. David Baker  
Director-Business Development  
Kentucky-American Water Company  
2300 Richmond Road  
Lexington, Kentucky 40502

Dear Mr. Baker:

This letter is written in response to your recent inquiry for a legal opinion on whether a utility may transfer an unpaid customer balance from a sole proprietorship business account to that same individual's existing residential account.

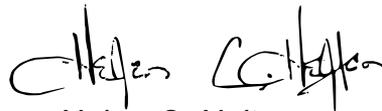
Commission Regulation 807 KAR 5:006, Section 14(1)(f), provides that, "a utility may terminate service at a point of delivery for nonpayment of charges incurred for utility service at that point of delivery. . . ." Thus, while a utility may terminate service at point of delivery R for unpaid charges incurred at point of delivery R, a utility may not terminate service at point of delivery R for unpaid charges incurred by that same customer at point of delivery B. Since a utility cannot terminate service at one location due to the customer's failure to pay charges incurred at a different location, a utility cannot transfer an unpaid balance from one account to an existing second account because this could result in termination of service at delivery point R for unpaid charges incurred at delivery point B.

As correctly noted in your letter, an individual operating a business as a sole proprietorship is individually responsible for all debts incurred by that business. In the event that a sole proprietorship is indebted to Kentucky-American, your available remedies include initiating legal proceedings against the customer to collect the debt and denying to furnish new service to the customer at a new point of delivery. Pursuant to 807 KAR 5:006, Section 14(1)(d), a utility is not obligated to furnish new service to a customer who is indebted to the utility until satisfactory arrangements are made to pay that indebtedness.

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This letter represents the Legal Division's interpretation of the law as applied to the facts presented in your letter. This opinion is advisory in nature and not binding on the Commission should these issues be formally presented for Commission resolution. Should you have any questions concerning this opinion, please contact our staff attorney Richard Raff at (502) 564-3940.

Sincerely,

A handwritten signature in black ink, appearing to read "Helen C. Helton". The signature is written in a cursive style with some loops and flourishes.

Helen C. Helton  
Executive Director

fb



# Kentucky-American Water Company

2300 Richmond Road • Lexington, Kentucky 40502 • (606) 269-2386 • Fax (606) 268-6327

David Baker  
Director - Business Development

February 3, 1998

Helen Helton, Executive Director  
Public Service Commission  
Commonwealth of Kentucky  
PO Box 615  
Frankfort, KY 40602

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GENERAL COUNSEL

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FEB 09 1998

PUBLIC SERVICE  
COMMISSION

Dear Ms. Helton:

Kentucky-American Water Company certainly appreciates the services that your organization provides to both our customers and to our utility. Richard Raff suggested that I write to you to pose a question to you concerning a particular customer situation that we had originally presented to him.

The question deals with the transfer of unpaid customer balances (for finaled accounts) from a sole proprietorship to that sole proprietor's existing personal account. The accounts are verified as sharing the same name and social security number. We have been directed in the past by PSC consumer investigators that this is not permissible and must write off the business balances as uncollectable.

It is, however, our understanding that sole proprietors are personally responsible for their business debts, thus eliminating the distinction between their personal and business accounts. I would estimate that this situation arises five or six times per year, typically in which a small business goes out of business and leaves an unpaid balance. Write-offs for these cases that could be transferred to personal accounts probably total around \$2000 per year. While this is not a significant amount of money, and only represents an estimated one percent of our annual bad debt write-offs, we would appreciate your review of this procedure.

Any direction or thoughts you can share on this subject will be greatly appreciated. I can be reached at 606-268-6318 if you wish to discuss this matter.

Thanks for your assistance.

Sincerely,  
*David Baker* /jd  
David Baker

cc Herb Miller  
Coleman Bush  
Larry Burns  
Lee Vescio

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FEB 09 1998

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