

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF SEDALIA WATER DISTRICT     )  
TO ADD A POLICY FOR THE BILLING OF            )  
CERTAIN CUSTOMERS                                ) CASE NO. 2004-00180

ORDER

Sedalia Water District has proposed to revise its filed rate schedules to permit free water service to an individual customer within its service territory and to establish a rate for private fire protection service to another existing customer.<sup>1</sup> Finding that the proposed free water service fails to meet the requirements of KRS 278.170, we deny the requested revision. We approve the proposed rate for private fire protection service.

Sedalia Water District is a water district organized under the provisions of KRS Chapter 74. It owns and operates facilities that distribute and furnish water to approximately 159 customers in Graves County, Kentucky.<sup>2</sup> It is a utility subject to the Commission's jurisdiction. KRS 278.010(3)(d); KRS 278.015; KRS 278.040.

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<sup>1</sup> Sedalia Water District filed its proposed tariff revisions on April 14, 2004. The Commission, on May 21, 2004, suspended the proposed revisions and initiated this proceeding to investigate their reasonableness. On August 6, 2004 and October 8, 2004, Commission Staff issued Interrogatories and Requests for Production of Documents regarding the proposed revisions. Sedalia Water District timely responded to each set. No persons have intervened in this proceeding. Sedalia Water District has not requested a hearing in this matter.

<sup>2</sup> Annual Report of Sedalia Water District to the Kentucky Public Service Commission for the year ended December 31, 2003 ("Annual Report") at 21.

Sedalia Water District proposes to revise its tariff to permit the provision of free water service to Robert McClain, the owner of Bob and Ann's Market. Mr. McClain serves as a collection agent for the water district and has received payments for water service from water district customers at his business. He is not currently compensated for this service. Sedalia Water District wishes to provide him with free water service as compensation for his services.<sup>3</sup>

KRS 278.170 prohibits the proposed revision. KRS 278.170(1) prohibits any utility from giving an unreasonable preference or advantage to any person. KRS 278.170(2), however, permits free or reduced rate utility service to certain classes of customers:

Any utility may grant free or reduced rate service to its officers, agents, or employees, and may exchange free or reduced rate service with other utilities for the benefit of the officers, agents, and employees of both utilities. Any utility may grant free or reduced rate service to the United States, to charitable and eleemosynary institutions, and to persons engaged in charitable and eleemosynary work, and may grant free or reduced rate service for the purpose of providing relief in case of flood, epidemic, pestilence, or other calamity. The terms "officers" and "employees," as used in this subsection, include furloughed, pensioned, and superannuated officers and employees, and persons who have become disabled or infirm in the service of the utility.

Mr. McClain, however, does not fall into one of the classes of favored customers. He does not meet the statutory definition of "employee" or "officer." Neither he nor his

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<sup>3</sup> According to Sedalia Water District, Mr. McClain does not wish to be compensated for allowing payments to be collected at his store. Sedalia Water District's Response to Commission Staff's Second Set of Interrogatories and Requests for Production of Documents, Item 3.

business would qualify as a charitable or eleemosynary institution. Accordingly, we must deny the proposed revision.

Sedalia Water District also proposed to assess a monthly fee of \$41.16 to Vegan Metal Fabricators Company (“Vegan Metal”) for fire protection services. Vegan Metal operates a factory that provides metal fabrication for food service industries, warehousing equipment, and light and heavy duty home or office equipment.<sup>4</sup> Sedalia Water District provides water service to the customer through a 6-inch water main. It provides fire protection service and general water service through separate service connections. Having considered the customer service size, the relationship between that customer service size and that for residential customers, the nature of the service, the lack of any customer objection and historical relationship between Vegan Metal and the utility, the Commission finds that the proposed fee is reasonable.

IT IS THEREFORE ORDERED that:

1. Sedalia Water District’s motion to withdraw<sup>5</sup> its proposed revision to provide free water service to the members of its board of directors is granted.

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<sup>4</sup> See <http://www.veganmetal.com> (last visited Feb. 7, 2005).

<sup>5</sup> In its proposed revised tariff sheets, Sedalia Water District also proposed to provide free water service to the members of its Board of Commissioners. When Commission Staff noted in a set of interrogatories that the Graves County Fiscal Court was the appropriate authority to establish a level of compensation for the members of the water district’s Board of Commissioners, Sedalia Water District advised the Commission that it wished to withdraw its request to provide free service to these persons. See Sedalia Water District’s Response to Commission Staff’s Second Set of Interrogatories and Requests for Production of Documents. For the Commission’s position on the provision of such service by water districts, see East Logan Water District, Case No. 1992-00094 (Ky. PSC Mar. 16, 1992).

2. Sedalia Water District's proposed revision to provide water service to Bob & Ann's Market is denied.

3. Sedalia Water District's proposed monthly rate of \$41.16 for fire protection service to Vegan Metal is approved for service rendered on and after the date of this Order.

Done at Frankfort, Kentucky, this 10<sup>th</sup> day of February, 2005.

By the Commission

ATTEST:



Executive Director