

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A PROPOSED TARIFF FILING BY OVERLAND )  
DEVELOPMENT, INC. TO PROVIDE FOR A )  
REDUCED WATER RATE TO ACCOUNT FOR ) CASE NO. 2007-00481  
A LEAK OR FOR FILLING A SWIMMING POOL )  
AND TO PROVIDE FREE WATER SERVICE )  
FOR THE SYSTEM MANAGER )

O R D E R

On July 16, 2007, Overland Development, Inc. (“Overland”) filed a proposed tariff to allow free water service to the owner of the utility and a reduced rate for leaks and swimming pools.<sup>1</sup> On December 7, 2007, the Commission established this proceeding to determine the reasonableness of the proposed tariff. Having considered the issues of the case, the Commission finds that the proposed provision of free water service to an officer of the utility is lawful and the proposed reduced rate for water leaks and swimming pools is unreasonable.

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<sup>1</sup> In the Commission’s Order dated December 7, 2007, we erroneously stated that Overland filed its proposed tariff on July 9, 2007.

Overland, a Kentucky corporation organized pursuant to KRS Chapter 271B,<sup>2</sup> owns and operates water distribution facilities that serve approximately 112 customers in Boyd County.<sup>3</sup> It is a utility subject to Commission jurisdiction.<sup>4</sup>

“Every utility may demand, collect and receive fair, just and reasonable rates for the services rendered or to be rendered by it to any person.”<sup>5</sup> Prior to becoming effective, filings must be reviewed and found reasonable by the Commission. The “burden of proof to show that the increased rate or charge is just and reasonable shall be upon the utility . . . .”<sup>6</sup>

With respect to the proposed free water service to an officer of the utility, KRS 278.170(2) permits a utility to “grant free or reduced rate service to its officers . . . .” Mr. Taylor is the sole officer of Overland.<sup>7</sup> The Commission, therefore, finds Overland’s

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<sup>2</sup> See <http://apps.sos.ky.gov/business/obdb/showentity.aspx?id=0039270&ct=09&cs=99999> (last visited Apr. 21, 2008).

<sup>3</sup> Annual Report of Overland Development, Inc. to the Kentucky Public Service Commission for the Year ended December 31, 2007 at 11 and 43.

<sup>4</sup> KRS 278.010(3)(d).

<sup>5</sup> KRS 278.030(1).

<sup>6</sup> KRS 278.190(3)

<sup>7</sup> Annual Report of Overland Development, Inc. to the Kentucky Secretary of State, *available at* <http://apps.sos.ky.gov/business/obdb/OBDBDisplayImage.aspx?id=2812212> (last visited Apr. 21, 2008).

proposed provision of free service to Mr. Taylor is lawful. We note that the utility's shareholders, not its ratepayers, must bear the cost of providing this service.<sup>8</sup>

As to Overland's proposed reduced rate for water leaks, we note that water utilities commonly provide a reduced rate for leaks on the customers' lines. Overland's proposed leakage tariff provision, however, is vague, fails to adequately define a leak, and fails to place reasonable limitations on a customer's eligibility for such adjustments. In addition, the utility has not provided any justification for the proposed \$1.00 reduction per 1,000 gallons of water or demonstrated that the utility will still recover its variable costs with the proposed reduction. Accordingly, we find that Overland has not met its burden of proof to show that the proposed rate is fair, just and reasonable.

Similarly, Overland has not provided any reasonable argument or evidence to support a reduced water service rate for individuals filling their swimming pools. Therefore, we find that it has not met its burden of proof to show that the proposed rate is fair, just and reasonable.

IT IS THEREFORE ORDERED that:

1. The proposed tariff provision permitting Overland to provide an officer of the utility with free service is approved for service rendered on and after the date of this Order.
2. The proposed tariff provision permitting Overland to provide a reduced rate for leaks and filling swimming pools is denied.

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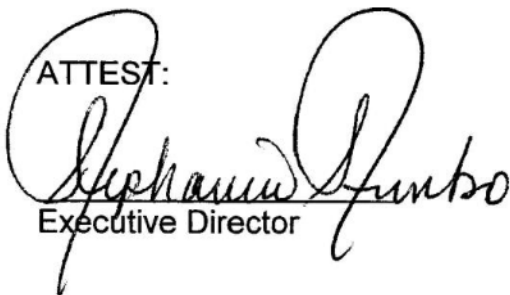
<sup>8</sup> See, e.g., Case No. 1996-00080, The Application of Goshen Utilities, Inc. for Approval to Provide Free Water and Sewer Service to Its Employees (Ky. PSC June 24, 1996) at 2.

3. Within 20 days of the date of this Order, Overland shall file with the Commission its revised tariff sheets setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 1<sup>st</sup> day of May, 2008.

By the Commission

ATTEST:

  
Executive Director