

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

REQUEST OF DEXTER-ALMO HEIGHTS )  
WATER DISTRICT TO FORGIVE BALANCE ) CASE NO.  
FOR WEST KENTUCKY YOUTH CENTER ) 2006-00346  
)

O R D E R

On July 10, 2006,<sup>1</sup> Dexter-Almo Heights Water District ("Dexter-Almo") requested Commission approval to forgive a balance owed for water service provided to two entities it serves in Calloway County, Kentucky. Dexter-Almo wants to forgive a present balance owed by West Kentucky Youth Center in the amount of \$1,169.98 and a present balance owed by Camp WOW in the amount of \$16.42. In effect, Dexter-Almo wishes to grant free water service pursuant to KRS 278.170. At issue is the nature of the beneficiary class and whether the provision of such service is reasonable and appropriate. The Commission finds that it is not appropriate and we will deny the request.

Dexter-Almo, a water district organized under the provisions of KRS Chapter 74, owns and operates facilities that provide water service to 710 metered customers in Calloway County, Kentucky.<sup>2</sup> It appears that water service balances were incurred by

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<sup>1</sup> Letter dated July 6, 2006 from Joe Dan Taylor, Water Commissioner of Dexter-Almo, to Public Service Commission.

<sup>2</sup> Annual Report of Dexter-Almo to the Kentucky Public Service Commission for the year ending December 31, 2005, at 5 and 27.

the entities through a billing error caused by a Dexter-Almo computer system. Consequently, the entities were back-billed by Dexter-Almo for water service from June 2001 to March 2003 when the error was discovered. Both entities have been making partial payments on the debt since September 2003.

Upon reviewing the record, the Commission finds the subject matter of this case to be a request to grant free water pursuant to KRS 278.170(2). KRS 278.170(2) provides:

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. Notice must be given to the commission and its agreement obtained for such reduced rate service except in case of an emergency, in which case the commission shall be notified at least five (5) days after the service is rendered.

We find that the statute clearly contemplates that, prior to the granting of any free service, the utility must seek Commission approval and submit sufficient evidence to establish the claimed exemption or necessity for the free service. In support of its application, Dexter-Almo states that both of these organizations have an IRS Code 501(c)(3) status and are tax-exempt.<sup>3</sup> Yet, up until now, there apparently has been no claim or filing with the Commission for a free service determination for the entities under

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<sup>3</sup> Under IRS Code 501(c)(3), a non-profit corporation may be formed to operate for some religious, charitable, educational, literary, or scientific purpose. These five purposes are usually included as purposes accepted by the individual states as valid non-profit corporate purposes.

the statute. In effect, Dexter-Almo has not up to now considered the entities as candidates for free service. They were, in fact, paying for the water service provided to them and also making payments for the water service balance subject to the incorrect billing. The statute does not permit retroactive application of a grant of free water service to forgive a balance due. Nothing in Dexter-Almo's application suggests that the free service is intended to provide relief from flood, epidemic, pestilence, or other calamity.

This Commission has previously held that water districts and water associations should not be permitted to provide free water service, since they "have no shareholders to which the foregone revenue can be charged."<sup>4</sup> Unlike an investor-owned utility whose shareholders assume the cost of any free or reduced-rate service, Dexter-Almo's ratepayers bear the cost of such service.

Based upon our review of the record, we find that Dexter-Almo has not demonstrated that either West Kentucky Youth Center or Camp WOW is eligible for free service retroactively. The statute sets out to whom a utility may grant free or reduced-rate service. Any request for free service other than that allowed by KRS 278.170(2) must be denied.<sup>5</sup>

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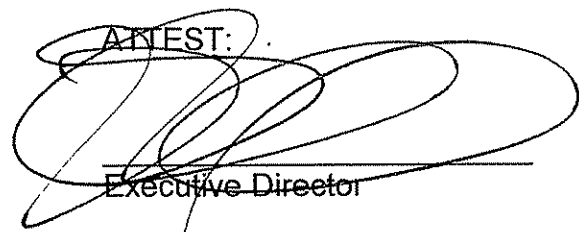
<sup>4</sup> East Logan Water District, Case No. 1992-00094 (Ky. PSC Mar. 16, 1992); South 641 Water District, Case No. 1993-00358 (Ky. PSC Jan. 3, 1994) at 2; Cumberland Falls Highway Water District, Case No. 1994-00054 (Ky. PSC Apr. 7, 1994).

<sup>5</sup> Case No. 2005-000435, Request of Muhlenberg County Water District No. 3 to Provide Free Water to City of Bremen Building, Order dated March 8, 2006. Case No. 2005-00060, Request of Bronston Water Assoc. to Provide Free Water to Churches, Order dated October 12, 2005.

IT IS THEREFORE ORDERED that Dexter-Almo's request for authority to provide free water by forgiving a balance owed by West Kentucky Youth Center in the amount of \$1,169.98 and Camp WOW in the amount of \$16.42 is denied.

Done at Frankfort, Kentucky, this 18<sup>th</sup> day of July, 2006.

By the Commission

ANEST:  
  
Executive Director