

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF WEST SHELBY WATER)
DISTRICT TO ALLOW FREE WATER FOR) CASE NO. 2007-00211
WATER DISTRICT COMMISSIONERS)

O R D E R

On April 9, 2007, West Shelby Water District ("West Shelby") notified the Commission of its intention to modify its tariff to provide free water service to its commissioners. On May 31, 2007, the Commission ordered West Shelby to show cause within 20 days why the proposed rate schedule was reasonable and should not be denied. On July 9, 2007, West Shelby filed its response to the Commission's Order.

West Shelby is a water district established pursuant to KRS Chapter 74, which operates facilities that treat and distribute water to the public for compensation in the Commonwealth of Kentucky. It is a utility subject to Commission jurisdiction.¹ West Shelby is requesting that it be allowed to provide free water service to its commissioners pursuant to KRS 278.170(2), which provides that "[a]ny utility may grant free or reduced rate service to its officers, agents, or employees" The Commission's agreement must be obtained for the reduced rate service.

¹ KRS 278.010(3)(d); KRS 278.015; KRS 278.040(1).

It has long been the policy of the Commission to reject similar proposals from water districts.² Unlike investor-owned utilities, West Shelby has no shareholders to absorb or assume the cost of free or reduced-rate service. Instead, if approved, West Shelby's ratepayers would be forced to absorb the cost of free service to its commissioners.

West Shelby argues that:

The proposed rate schedule is reasonable because the Commissioners of the West Shelby Water District have attended the Public Service Commission Training for Commissioners each year since it has been provided. This District's Commissioners earn \$6,000 annually for their services, which is the maximum allowed by KRS 74.020; therefore, the Commissioners believe receiving free water would be an additional way of being compensated for their time and should not be denied.³

West Shelby correctly states that KRS 74.020(6) allows water district commissioners to be compensated "an annual salary of not more six thousand dollars (\$6,000) to be paid out of the water district fund" provided they have received the requisite training. West Shelby's water district commissioners are currently receiving the maximum compensation of \$6,000 per year. KRS 278.170(2) was not intended to serve as a mechanism to bypass the maximum compensation provided by KRS 74.020.

² See, e.g., An Inquiry of East Logan Water District Regarding Free Water Service to Commissioners and Management of the District, Case No. 1992-00094 (Ky. PSC Mar. 16, 1992); South 641 Water District Request to Provide Free Water Service, Case No. 93-358 (Ky. PSC Jan. 3, 1994); Cumberland Falls Highway Water District For Authorization to Allow Commissioners to Receive Water, Case No. 1994-00054 (Ky. PSC Apr. 7, 1994); Request of Bronston Water Association, Inc. to Provide Free Water Service to Churches Pursuant to KRS 278.170(2), Case No. 2005-00060 (Ky. PSC Oct. 12, 2005).

³ West Shelby's Response letter dated July 6, 2007.

The Commission finds that West Shelby's request for Commission approval to allow its commissioners to receive free water service is not reasonable and should not be granted.

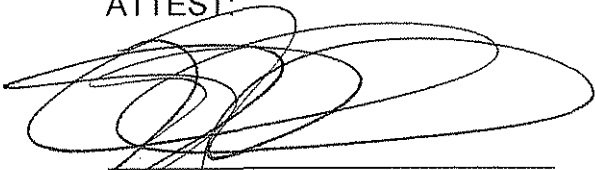
IT IS THEREFORE ORDERED that:

1. West Shelby's request for Commission approval to allow its commissioners to receive free water service is denied.
2. West Shelby's proposed tariff revision is denied and shall not become effective.
3. This case is closed and is removed from the Commission's docket.

Done at Frankfort, Kentucky, this 29th day of August, 2007.

By the Commission

ATTEST:



Executive Director