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Rural Water Dist. No. 5 Wagoner County, Okla. v. City of Coweta

United States District Court, N.D. Oklahoma - June 11, 2013 - F.Supp.2d - 2013 WL 2557607

Plaintiff, Rural Water District No. 5 of Wagoner County, Oklahoma (“Wagoner-5”), filed suit, claiming that, as a debtor association under 7 U.S.C. § 1926(b), it had the exclusive right to provide water service to all customers within its service area. Wagoner-5 alleged that it acquired a loan from the USDA and that Wagoner-5 therefore has the exclusive right to serve four customers whose service is at issue in this action: Koweta Indian Clinic; Timber Ridge Crossing Subdivision; Celebration at the Woods Subdivision; and Cedar Creek Village (the “disputed customers”). The City of Coweta was providing water service to the disputed customers, and Wagoner-5 alleged that the City’s service to those customers violated § 1926(b).

The court disagreed with the City’s argument that the boundaries of Wagoner-5 were diminished by City’s annexation of the disputed customers, finding it inconsistent with the law construing § 1926(b) to prohibit municipalities from using their annexation of territory within a rural water district as a springboard for providing water service to residents within the district or to limit the water district’s services to the annexed area.

The Tenth Circuit previously had held that a rural water district may maintain claims against a municipality for curtailment after the district becomes indebted, even where the municipality began providing service to disputed properties prior to the district’s indebtedness.