



GENTNER DRUMMOND
ATTORNEY GENERAL

ATTORNEY GENERAL OPINION
2026-10

The Honorable Mark Lepak
Oklahoma House of Representatives, District 9
2300 N. Lincoln Blvd., Rm. 453
Oklahoma City, OK 73105

June 29, 2026

Dear Representative Lepak:

This office has received your request for an Attorney General Opinion in which you ask, in effect, the following questions:

- 1. When a rural water district (“RWD”) purchases treated water from a source and subsequently conveys such water to another RWD, are both districts deemed to be retail consumers under Oklahoma law?**
- 2. When a water line is jointly owned by two RWDs and one district (the “delivering district”) conveys water through the line to the other district (the “receiving district”), is there a statutory limitation on the amount of any markup that may be imposed by the delivering district on the receiving district?**
- 3. What safeguards are there, if any, to ensure rates charged by a RWD are just and reasonable?**

I.
SUMMARY

A rural water district (“RWD”) that purchases treated water for resale acts as a water wholesaler, not a retail consumer. When a delivering district sells and sends water to a receiving district through a jointly owned water line, the rate is determined by a contract between the districts. As a result, the contract rate is not subject to the “just and reasonable” standard applicable to district member rates. If a district member believes the water district is charging rates that are not “just and reasonable,” the member may file a complaint with the RWD. That RWD’s decision on the complaint is appealable to district court. When two districts dispute water rates, a district court possesses jurisdiction to adjudicate the RWDs’ contractual dispute.

II.
BACKGROUND

In 1963, Oklahoma enacted the Rural Water District Act (House Bill 837, 1963 Okla. Sess. Laws ch. 266), authorizing the creation of public, nonprofit RWDs, which allowed RWDs to accept federal funds.¹ In 1965, the Legislature expanded the Act to permit RWDs to contract with state agencies and any political subdivision for the construction and operation of water production facilities. *Id.*

In 1972, the formation process, powers, and requirements for nonprofit RWDs were set out in the expanded and recodified Rural Water, Sewer, Gas and Solid Waste Management Districts Act (the “Rural Districts Act”), 82 O.S.2021, §§ 1324.1–1324.26. Under the Rural Districts Act, an RWD may be incorporated by the board of county commissioners (“BOCC”), after at least two landowners file a petition with the county clerk. *Id.* § 1324.4. The petition must describe the proposed RWD’s boundaries and state that (1) residents within the proposed RWD lack an adequate water supply, (2) the deficiency can be remedied through improved infrastructure, and (3) sufficient water is available through private purchase or appropriation by the Oklahoma Water Resources Board. *Id.* Following a public hearing before the BOCC in the county containing the largest portion of the proposed territory, the BOCC may approve incorporation of the proposed RWD as “a body politic and corporate and an agency and legally constituted authority of the State of Oklahoma for the public purposes set forth in [the Rural Districts Act].” *Id.* § 1324.6(6) A RWD is a state agency. *Sinor’s Long Bay Marina, LLC v. Wagoner Cnty Rural Water Dist. No. 2*, 2014 OK 43, ¶ 3, 335 P.3d 262, 263. Immediately following incorporation, RWD landowners hold a special meeting to select a board of directors and adopt bylaws. 82 O.S.2021, § 1324.7. The board of directors serves as the RWD’s governing body. *Id.* §§ 1324.7, 1324.9(A).

The district must be operated on a nonprofit basis, with its “rates, fees, rents or other charges for water, gas and other facilities, supplies, equipment or services” set at levels sufficient to cover all operating and maintenance expenses and to fund reserves for debt,² maintenance, and “other purposes necessary and expedient to meeting all obligations of the district.” 82 O.S.2021, § 1324.11. To ensure oversight over their finances and operations, RWDs must annually file two reports: (1) a financial report with the county clerk disclosing amounts collected and disbursed, as well as any outstanding debt; and (2) either an audit or annual review, depending on the RWD’s revenue, with the State Auditor and Inspector. *Id.* §§ 1324.10(D), 1324.18(B). Oklahoma law permits a RWD to charge fees to retail consumers, negotiate joint ownership of a water line, and purchase or sell water to other RWDs, but RWDs must still maintain their nonprofit status. *See* 82 O.S.2021, § 1324.11(A).

III. DISCUSSION

¹ To meet the needs of a growing rural population, in 1961, the federal government began the National Rural Water Program, providing loans and grants to rural water systems. Oklahoma Water Resources Board, Rural Water Systems in Oklahoma 2 (1998), <https://www.oklahoma.gov/content/dam/ok/en/owrb/documents/maps-and-data/printable-maps/RWS95.pdf> (last accessed June 29, 2026). “Subsequently, it was determined that state legislation was required to provide for the creation of rural water districts as public bodies with authority to borrow money from the federal government.” *Id.*

² To receive loans and grants from the Rural Utilities Service, RWDs must charge use rates sufficient to repay the loan and establish a debt reserve typically equal to one annual loan installment, which is built up at one-tenth of the reserve amount per year. 7 C.F.R. § 1780.35(c).

A. Neither RWD is a retail consumer in a transaction where one district purchases treated water from a source and conveys that water to another RWD.

In 2007, an amendment to the Rural Districts Act allowed an RWD to charge up to ten cents per thousand gallons of water sold, to be paid by a retail water consumer in the district. 82 O.S.2021, § 1324.9(B). This fee must be for a specific purchase and approved by a majority of participant members at a public meeting. However, the Rural Districts Act does not define “retail water consumer.” *Id.* So, you ask whether this term applies to RWDs.

“If the statutory language is clear and unambiguous, this Court must apply the plain and ordinary meaning of the words.” *St. Anthony South Behavioral Health v. Goodwin*, 2026 OK 3, ¶ 8, 584 P.3d 184, 187 (citation omitted). *See also* 25 O.S.2021, § 1 (“Words used in any statute are to be understood in their ordinary sense, except when a contrary intention plainly appears”) Here, no contrary intention exists. In ordinary usage, “retail” means “to sell in small quantities directly to the *ultimate consumer*.” *Retail*, MERRIAM-WEBSTER.COM, <https://www.merriam-webster.com/dictionary/retail> (last visited June 29, 2026) (emphasis added). “Consumer” ordinarily means “one that consumes.” *Consumer*, MERRIAM-WEBSTER.COM, <https://www.merriam-webster.com/dictionary/consumer> (last visited June 29, 2026). Together, “retail water consumer” refers to the ultimate consumer of water to whom water is sold.

RWDs are organized under the Rural Districts Act to “develop[] and provid[e] an adequate rural water supply . . . [to] rural residents within the territory of the [rural water] district.” 82 O.S.2021, § 1324.3. To fulfill this purpose, an RWD may purchase water from another RWD. 82 O.S.2021, § 1324.10(A)(12). When one RWD purchases treated water from another RWD, neither the delivering district nor the receiving district ultimately consumes the water. The receiving district uses the delivered water to supply its members with water. Consequently, both districts function as water wholesalers.³

B. The Rural Districts Act does not limit the amount of any markup the delivering district may assess for water conveyed using a jointly owned water line to a receiving district.

The Rural Districts Act grants districts sixteen specific powers, including the authority to contract with other districts or agencies to jointly construct, acquire, or operate water facilities, such as pipelines. 82 O.S. 2021, § 1324.10(A)(1)–(16). Districts may also sell water to or purchase water from another district. 82 O.S. 2021, § 1324.10(A)(12). Beyond these grants of authority, however, Oklahoma law does not impose specific requirements for jointly owned water lines, or for water sales, between two RWDs. As a result, the office presumes that the RWDs operate and maintain jointly owned water lines and agree to sell to one another pursuant to a contract or memorandum of understanding.⁴ The terms of such agreements will vary from one contract to another.

³ “Wholesale” is “of, relating to, or engaged in the sale of commodities in quantity for resale.” *Wholesale*, MERRIAM-WEBSTER.COM, <https://www.merriam-webster.com/dictionary/wholesale> (last visited June 29, 2026).

⁴ In 2013, the Oklahoma Court of Civil Appeals ruled on a trial court appeal regarding water rates one RWD charged another RWD. *Hughes Cnty. Rural Water Dist. No. 4 v. Hughes Cnty. Rural Water Dist. No. 6*, No. 109264

By contrast, the Rural Districts Act requires a different and specific standard for setting water rates for the district’s members. 82 O.S. 2021, § 1324.10(A)(10). Those rates must be “just, reasonable and nondiscriminatory.” *Id.* The district must review and, as necessary, adjust its rates to ensure revenues are sufficient to cover operating and maintenance expenses and to maintain adequate reserves.⁵ 82 O.S.2021, § 1324.11(C).

A statute must be read to give every part effect, avoiding rendering any parts superfluous or useless. *See Sanders v. Turn Key Health Clinics*, 2025 OK 19, ¶ 48, 566 P.3d 591, 607-08. Reading section 1324.10(A)(10)’s authority to “set rates” to limit a district’s ability to sell water would render the separate grants of authority to contract superfluous. Put simply, it would nullify RWD’s authority to negotiate contract terms. Additionally, the office will not read into law what is not already expressed within the law. *See Murray County v. Homesales, Inc.*, 2014 OK 52, ¶ 15, 330 P.3d 519, 527. Except for the RWD’s requirement to “be operated without profit,” the Rural Districts Act does not set a limit on the markup that a delivering district may assess on a receiving district. 82 O.S. 2021, § 1324.11(A). As a result, any markup to the cost or rate may be negotiated by the parties.

C. An aggrieved member of a district may file a complaint with the water district challenging the rates charged, which is appealable to district court. Disputes between districts are contractual in nature and may be subject to litigation.

As stated previously, rates applicable to a district’s members must be “just, reasonable and nondiscriminatory.” 82 O.S. 2021, § 1324.10(A)(10). As the RWD’s governing body, the board of directors must hear complaints about rates brought by members. *See Sinor’s Long Bay Marina, LLC v. Wagoner County Rural Water Dist. No. 2*, 2014 OK 43, ¶ 7, 335 P.3d 262, 263–64. The RWD’s decision is then appealable to district court. *Id.*

Sinor’s Long Bay Marina applies only to a member’s complaint against his or her RWD, not the complaints of another RWD. Instead, disputes over rates for water sold between two RWDs are governed by the districts’ negotiated contract in accordance with title 82, section 1324.10(A)(12) of the Oklahoma Statutes. Such contracts are enforceable or challengeable through the RWD’s capacity to sue and be sued. 82 O.S. 2021, § 1324.10(A)(1).

Although Oklahoma law designates no state agency as an active arbiter or overseer of RWDs, the previously described statutory reports serve as important disclosures to district members and other RWDs. The required financial transparency enables the public to scrutinize whether an RWD continues to operate without a profit. They also allow district members or other RWDs to detect any attempts by a RWD to charge arbitrary markups in rates, fees, and upcharges. Ultimately, the reports may be probative in any potential legal disputes.

(COCA Div. III. Jan. 18, 2013) (unpublished) (<https://www.oscn.net/applications/oscn/UnpublishedDocument.asp?ID=522305>). The Court did not apply a “just and reasonable” standard but instead looked at the negotiated contract between the RWDs. *Id.* at ¶¶ 8–9. The Court remanded the case to the trial court for declaratory judgment to determine the initial negotiated rate for water as well as how the rate should be calculated going forward. *Id.*

⁵ There is no statutorily established interval for a rural water district to review and accordingly adjust its rates.

It is, therefore, the official Opinion of the Attorney General that:

- 1. An RWD that purchases water for resale to its members is not a retail consumer.**
- 2. There is no statutory limit on the amount that a delivering district can markup for water conveyed through a jointly owned water line to a receiving district.**
- 3. An aggrieved member may file a complaint with the district challenging the rates charged, and the water district's decision is appealable to the district court. However, a contract for the sale and purchase of water between two RWDs is a contractual matter and thus subject to the rights and remedies provided in the contract or those available under Oklahoma law.**



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