COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MCCREARY COUNTY WATER DISTRICT FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS	)))	CASE NO. 2026-00030

O R D E R

On March 31, 2026, McCreary County Water District (McCreary District) filed an application, pursuant to KRS 278.300 and 807 KAR 5:001, requesting authorization to execute an assistance agreement with the Kentucky Infrastructure Authority (KIA) to borrow an amount not to exceed $380,000 for the purchase of a hydro excavator truck.

McCreary District is a water district organized under KRS Chapter 74 and provides retail water service to approximately 6,336 customers in McCreary County, Kentucky, including 250 commercial customers, six industrial customers, and the United States Penitentiary McCreary.[1] McCreary District also has contracts to provide wholesale water service to Whitley County Water District and the city of Oneida, Tennessee.[2] It has a directly serviceable population of 6,153 households and approximately 15,175 persons.[3] No party requested intervention in this proceeding. This matter stands submitted for a decision.

[1] Application (filed Mar. 31, 2026) at 3.

[2] Application at 3.

[3] Application at 3.

LEGAL STANDARD

KRS 278.300(1) requires Commission authorization before a utility may "issue any securities or evidence of indebtedness or assume any obligation or liability in respect to the securities or evidence of indebtedness of any other person." KRS 278.300(3) establishes the legal standard and clarifies the scope of Commission review, stating:

> The commission shall not approve any issue or assumption unless, after investigation of the purposes and uses of the proposed issue and proceeds thereof, or of the proposed assumption of obligation or liability, the commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary or appropriate for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

There are exceptions to the required Commission approval set forth in KRS 278.300(8) but they are inapplicable to the pending application.

PROPOSED FINANCING

McCreary District requested authorization to execute an assistance agreement with KIA to borrow an amount not to exceed $380,000 to purchase a hydro excavator truck. McCreary District explained that hydro excavation is a non-destructive digging method that uses a combination of high-pressure water and an air vacuum to cut through and break up soils.[4] McCreary District argued that traditional excavation methods often result in more extensive and disruptive excavation, while hydro excavation requires less labor, reduces the need for backfill materials, and has a lower environmental impact as it

[4] Application at 3.

minimizes disturbances to surrounding areas and soils and reduces the risk of damaging underground facilities.[5]

In 2025, McCreary District investigated the purchase of a hydro excavator truck to improve operational efficiency and reduce potential damage claims resulting from water and sewer line excavations.[6] McCreary District stated that, in early August 2025, a vendor delivered a hydro excavator truck to McCreary District for demonstration purposes, and McCreary District was charged a monthly rental fee to use the truck which could be applied towards any subsequent purchase.[7] On August 27, 2025, McCreary District's Board of Commissioners (Board) authorized the purchase of a hydro excavator truck.[8] McCreary District caused to be published an advertisement for bids for a hydro excavator truck in the September 25, 2025, edition of the *McCreary Journal*.[9] On October 28, 2025, McCreary District's Board, after reviewing the submitted bids, accepted a bid and authorized the purchase of a hydro excavator truck from 502 Equipment, LLC for $379,886.[10]

To finance the immediate purchase of the hydro excavator truck, McCreary District entered into an assistance agreement on December 1, 2025, with the Rural Water Finance Agency (RWFA) to borrow $380,000 for a term of one year at 5 percent annum.[11]

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[5] Application at 3-4.

[6] Application at 4.

[7] Application at 4.

[8] Application at 4 and Exhibit 4.

[9] Application at 4 and Exhibit 5.

[10] Application at 4 and Exhibit 9.

[11] Application at 6.

To permanently finance the cost of the purchase, McCreary District proposed to enter into an assistance agreement with KIA, to borrow an amount not to exceed $380,000 at 2.5 percent interest for a period not to exceed five years from the date on which the last draw of funds is made.[12]

DISCUSSION AND FINDINGS

Having considered the evidence of the record and being otherwise sufficiently advised, the Commission finds that McCreary District's request to issue indebtedness not to exceed $380,000 at 2.5 percent interest satisfies the legal standards established in KRS 278.300(3) as discussed below.

The lawful object of the utility's purpose is to provide adequate, efficient, and reasonable service at fair, just and reasonable rates. The proposed financing through a KIA assistance agreement meets the lawful object of the utility's purpose as it will assist in the purchase of a hydraulic excavator to be used for McCreary District's fieldwork. Hydro excavation is increasingly becoming the method used to locate underground utilities. It requires less labor, since it typically only requires a two-person crew whereas traditional excavation requires more personnel.[13] Additionally hydro excavation reduces the need for backfill materials[14] and requires less time to locate, expose, and repair underground utilities than traditional methods.[15] The use of precise equipment and technology such as a hydro excavator also minimizes the potential for accidents and damage to existing infrastructure. Therefore, the Commission finds the use of the funds

[12] Application at 6.

[13] Application at 3–4.

[14] Application at 3–4.

[15] Application at 3–4.

would be for a lawful purpose. Additionally, the proposed financing is necessary and appropriate for, and consistent with, the proper performance by the utility of its service to the public and will not impair McCreary District's ability to perform that purpose because the financing is being used to purchase equipment McCreary District will use in the performance of its duties. As stated above, McCreary District used short term financing through RWFA to fund the immediate purchase of the hydro excavator truck. The assistance agreement with KIA will be used to permanently finance the purchase.[16] Entry into the proposed assistance agreement will not require an adjustment of McCreary District's rates for water or sewer service.[17] Therefore, the KIA loan should not impair McCreary District's ability to perform its core function.

Finally, the proposed financing is reasonably necessary and appropriate for McCreary District to meet its statutory duty to provide adequate, efficient, and reasonable service because it provides the financing to purchase equipment McCreary District will use to help reduce costs in the performance of its statutory duties. The short-term loan has an interest rate of 5 percent,[18] and the KIA loan has an interest rate of 2.5 percent annual interest.[19] Spreading the cost over five years and reducing the interest rate would enable McCreary District to be financially stable during the acquisition of the hydro excavator.

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[16] Application at 6.

[17] Application at 8.

[18] Application, Exhibit 10 at 18, Net Debt Service Schedule table.

[19] Application at 6.

IT IS THEREFORE ORDERED that:

1. McCreary District is authorized to enter into a loan in an amount not to exceed $380,000 with KIA, maturing over a period of five years and with an interest rate not to exceed 2.5 percent.

2. The proceeds of the loans shall be used only for the purposes specified in McCreary District's application.

3. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon McCreary District's showing of good cause for such extension.

4. This case is closed and removed from the Commission's docket.

Nothing contained in this Order shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Entered on this 15th day of May, 2026.

PUBLIC SERVICE COMMISSION

Angie Hatton
Chair

Mary Pat Regan
Commissioner

Andrew W. Wood
Commissioner

ATTEST:

Linda C. Bridwell, PE
Executive Director

Service List for 2026-00030

* Gerald E Wuetcher
Attorney at Law
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KY 40507-1801

* James S. Taylor
James Taylor Law Offices, PLLC
29 Court Street
Whitley City, KY 42653

* McCreary County Water District
Highway 27
P. O. Box 488
Whitley City, KY 42653

* Stephen Whitaker
Superintendent
McCreary County Water District
P.O. Box 488
Whitley City, KY 42653

* Tina C. Frederick
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KY 40507-1801

* Denotes served by Email