

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MORGAN	)	
COUNTY WATER DISTRICT FOR A	)	CASE NO.
DECLARATORY ORDER	)	2025-00413
	)	

ORDER

On December 31, 2025, Morgan County Water District (Morgan District) filed an application<sup>1</sup> pursuant to 807 KAR 5:001, Section 19 requesting a declaratory Order from the Commission stating that a Certificate of Public Convenience and Necessity (CPCN) is not required for a waterline extension and improvement project funded through the Kentucky Cleaner Water Program (Project). Morgan District requested a decision by February 2, 2026, as it asserted it wished to begin the project on or before February 15, 2026, to meet a December 31, 2026 funding expenditure deadline.<sup>2</sup> Morgan District responded to one request for information from Commission Staff.<sup>3</sup> The case now stands ready for a decision.

---

<sup>1</sup> Morgan District's Application (Application) (filed Dec. 31, 2025).

<sup>2</sup> Application at 1, 4.

<sup>3</sup> Morgan District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Jan. 16, 2026).

## LEGAL STANDARD

KRS 278.020(1)(a) provides that no utility shall begin construction of facilities for furnishing service to the public without first obtaining a CPCN, unless an enumerated statutory exception applies.<sup>4</sup>

KRS 278.020(1)(a)(3)(b) expressly provides that a water district is not required to obtain a CPCN for waterline extensions or improvements if the water district will not incur obligations of indebtedness requiring Commission approval pursuant to KRS 278.300.<sup>5</sup>

KRS 278.300 requires Commission approval prior to a utility's issuance of evidences of indebtedness. Accordingly, where construction is funded exclusively through non-repayable grant proceeds and does not involve the issuance of debt or other financial obligations requiring Commission approval, the CPCN requirement does not apply.<sup>6</sup>

Pursuant to 807 KAR 5:001 Section 19, the Commission may issue a declaratory Order regarding the applicability of statutes or administrative regulations within its jurisdiction.<sup>7</sup>

## DISCUSSION AND FINDINGS

Morgan District is a water district organized pursuant to KRS Chapter 74 and provides retail water service to customers within Morgan County, Kentucky.<sup>8</sup> Pursuant to

---

<sup>4</sup> KRS 278.020(1)(a).

<sup>5</sup> KRS 278.020(1)(a)(3)(b).

<sup>6</sup> KRS 278.300.

<sup>7</sup> 807 KAR 5:001 Section 19.

<sup>8</sup> Application at 1.

KRS 278.015, the Commission finds that Morgan District is a public utility subject to the Commission's jurisdiction.

Morgan District proposed to construct approximately 53,427 linear feet of new waterline, along with associated appurtenances, including a pump station and water fill stations, for the purpose of providing first-time potable water service to 69 currently unserved households within Morgan District's existing service area.<sup>9</sup>

The Project is funded entirely through a \$3,286,800 grant awarded under the Kentucky Cleaner Water Program and administered by the Kentucky Infrastructure Authority.<sup>10</sup> Morgan District has represented, and the record reflects, that the grant funds are non-repayable and that the Project does not involve any loans, interim financing, notes, pledges, liens, or other evidences of indebtedness requiring Commission approval under KRS 278.300.<sup>11</sup>

In its responses to a request for information from Commission Staff, Morgan District explained that discrepancies in the information filed with the request, resulted from calculation errors and meter replacements rather than additional customers.<sup>12</sup> In its response, Morgan District submitted revised analyses confirming that the Project will serve 69 new customers and involve approximately 53,427 linear feet of waterline.<sup>13</sup>

---

<sup>9</sup> Application at 2; Morgan District's Response to Staff's First Request, Item 2(b) and Item 3(b).

<sup>10</sup> Application at 2; Morgan District's Response to Staff's First Request, Item 6.

<sup>11</sup> Morgan District's Response to Staff's First Request, Item 6.

<sup>12</sup> Morgan District's Response to Staff's First Request, Item 1(b).

<sup>13</sup> Application at 2; Morgan District's Response to Staff's First Request, Item 2(b) and Item 3(b).

Morgan District further demonstrated that projected operating income exceeds incremental operations and maintenance expenses associated with the Project.<sup>14</sup>

Based on the application and the record developed in this proceeding, the Commission finds that the Project constitutes waterline extensions and improvements occurring within Morgan District's existing service area, and Morgan District will not incur any indebtedness requiring Commission approval pursuant to KRS 278.300. Accordingly, the Commission finds that the Project qualifies for the statutory exemption set forth in KRS 278.020(1)(a)(3)(b), and that a CPCN is not required.

This finding is limited to the facts presented in this record. If Morgan District materially alters the scope, financing, or funding structure of the Project, or incurs indebtedness requiring Commission approval, additional Commission authorization may be required.

IT IS THEREFORE ORDERED that:

1. Morgan District's application for a Declaratory Order is granted.
2. Morgan District is not required to obtain a CPCN for the Project described in the application, pursuant to KRS 278.020(1)(a)(3)(b).
3. This Order is expressly limited to the Project as described in the record of this proceeding. Any material modification to the Project scope, funding, or financing may require further Commission approval.
4. This case is closed and removed from the Commission's docket.

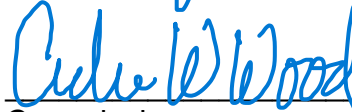
---

<sup>14</sup> Morgan District's Response to Staff's First Request, Item 4.

PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner

ATTEST:



Executive Director



\*Morgan County Water District  
1009 Hwy 172  
West Liberty, KY 41472

\*L. Allyson Honaker  
Honaker Law Office, PLLC  
1795 Alysheba Way  
Suite 1203  
Lexington, KY 40509

\*Andy Legg  
Morgan County Water District  
1009 Hwy 172  
West Liberty, KY 41472

\*Heather Temple  
Honaker Law Office, PLLC  
1795 Alysheba Way  
Suite 1203  
Lexington, KY 40509

\*Meredith L. Cave  
Honaker Law Office, PLLC  
1795 Alysheba Way  
Suite 1203  
Lexington, KY 40509