

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG SANDY RURAL ELECTRIC )  
COOPERATIVE CORPORATION FOR A CERTIFICATE )  
OF CONVENIENCE AND NECESSITY PURSUANT TO ) Case No.  
KRS 278.020 AND 807 KAR 5:001, SECTION 9 AND ) 2010-00516  
RELATED SECTIONS, AUTHORIZING CERTAIN )  
PROPOSED CONSTRUCTION )

ORDER

Big Sandy Rural Electric Cooperative Corporation ("Big Sandy") filed its application on March 22, 2011 for a Certificate of Public Convenience and Necessity ("CPCN") to construct a new (15,000 square foot) operations center approximately two miles from its existing headquarters in Paintsville, Kentucky. The proposed facility will house construction/maintenance crews, vehicle maintenance, engineering, warehousing, mapping, and supervisory personnel. Big Sandy indicates that the proposed facility will be built on a three-acre parcel that is centrally located in Big Sandy's service territory. The location is 17 miles from its northern territorial boundary, 17 miles from its eastern boundary, 10 miles from its western boundary, and 27 miles from its southern boundary. The estimated cost of the proposed construction is \$1,815,981.

The estimated cost of construction is as follows:

Property and Site Preparation	\$250,000
Architectural Fees	62,500
Sewer System	10,000
Construction	1,418,481
Generator	<u>75,000</u>
<b>Total</b>	<b>\$1,815,981</b>

Big Sandy indicates that its existing warehousing/operations facility was constructed in the late 1960's. This facility was built when Big Sandy served approximately 6,000 members. It currently has 13,000 members. The original warehousing/operations facility has aged and no longer meets Big Sandy's needs. The current warehouse and storage area are located in a flood area and experience flooding on a regular basis.

Big Sandy stated in an April 29, 2011 response to a data request that it was in the process of developing a request for proposals ("RFP") by contractors to construct its new operations center.<sup>1</sup> On July 21, 2011, Big Sandy filed a copy of its RFP and stated that it had received two bids, the lowest of which was for \$1,685,000. The Commission is pleased that Big Sandy utilized a bidding process for the construction of its new operations center. Within 20 days of making a decision on the bids, Big Sandy should notify the Commission whether the lowest bid was accepted and if not, the reasons why the lowest bid was not accepted. Further, if the final construction cost of the facility

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<sup>1</sup> Big Sandy's Response to Staff Data Request, Item 12, filed April 29, 2011.

exceeds 10 percent of the accepted bid, Big Sandy will also be required to file sufficient information with the Commission to explain and justify the additional cost.

Based on the application, and being otherwise sufficiently advised, the Commission finds that the construction of Big Sandy's proposed operations center is needed to replace an old, aging facility, will not create wasteful duplication, and should be approved. Further, the Commission strongly encourages utilities under its jurisdiction to seek competitive bids in conjunction with the construction of major facilities needed to serve their customers.

IT IS THEREFORE ORDERED THAT:


1. Big Sandy is granted a Certificate of Public Convenience and Necessity to construct the proposed operations center as described in its application.

2. Within 20 days of selecting a construction bid, Big Sandy shall file in writing either a statement that the lowest bid was accepted or an explanation of the reasons why the lowest bid was not accepted.

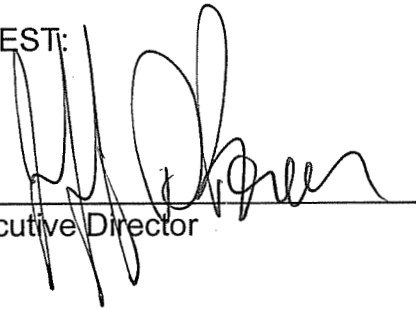
3. If the final construction cost of the operations center exceeds 10 percent of the accepted bid, Big Sandy shall file with the Commission, within 30 days of determining the final cost, sufficient information to explain and justify the additional cost.

4. Within 30 days of completion of the construction, Big Sandy shall file with this Commission the actual cost to construct the proposed operations center.

By the Commission

ENTERED   
JUL 27 2011  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
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Executive Director

Albert Burchett  
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