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August 10, 2012

G. Kelly Nuckols  
President and CEO  
Jackson Purchase Energy  
2900 Irvin Cobb Drive  
P. O. Box 4030  
Paducah, KY 42002-4030

**PSC STAFF OPINION 2012-016**

Re: Jackson Purchase Energy Corporation's 2012-2015 Construction Work  
Plan/**PROJECT 703 SCADA/DA- Hardware and Communication Equipment**

Dear Mr. Nuckols,

Commission Staff acknowledges receipt of the Jackson Purchase's August 1, 2012 response to Commission's concerns regarding **PROJECT 703 SCADA/DA –Hardware and Communication Equipment**. Pursuant to the Commission's recent decision that each construction project contained in a Construction Work Plan (CWP) should be analyzed on an individual basis to determine whether that individual project is exempt from the requirement in KRS 278.020(1) to obtain a Certificate of Convenience and Necessity ("CPCN"), Commission Staff has reviewed the specific responses submitted by Jackson Purchase to the questions raised in the PSC Staff's Opinion letter 2012-014 dated July 16, 2012. This letter represents Commission Staff's opinion, which is advisory in nature and not binding on the Commission should the issues herein be formally presented for Commission resolution.

As with all legal opinions requesting a determination of the "ordinary extensions of existing systems in the usual course of business" exemption from the requirement of a CPCN, Commission Staff's review does not consider the reasonableness or the need for the project. Thus, it is possible for a project not previously approved in a CPCN or other case to be denied recovery in a rate case if found to be unreasonable or unnecessary.

The Commission has, and continues to apply the CPCN requirement to construction projects unless a particular project falls within two exemptions. KRS 278.020(1) exempts from prior approval through CPCN "retail electric suppliers for service connections to electric consuming facilities within its certified territory. The Commission has defined "ordinary extensions of existing systems in the usual course of business" by regulation found in 507 KAR 5:001 § 9(3).

No certificate of public convenience or necessity will be required for extensions ***that do not create wasteful duplication of plant, equipment, property, or facilities***, or conflict with the existing certificates or service of other utilities operating in the same area and under the jurisdiction of the Commission that are in the general area in which the utility renders service or contiguous thereto, and that ***do not involve sufficient capital outlay to materially affect the existing financial condition of the utility involved, or will not result in increased charges to its customers***. (Emphasis added).

The "ordinary course of business" exemption is the focus of Commission Staff's advisory opinion in reviewing each of the construction projects in Jackson Purchase's CWP. According to the information included in Jackson Purchase's CWP and the information contained in Jackson Purchase's August 1, 2012 response letter, the Staff understands the facts as follows:

The total projected cost for SCADA/DA and communications, RUS Code 703, in this CWP is approximately \$450,000. Jackson Purchase is planning to institute a full-scale control program whereby overall system demand may be reduced by as much as 4 percent. Jackson Purchase is working with Paducah Power to build a fiber optic communications line to each Jackson Purchase distribution substation.

An economic analysis for two Voltage Reduction System options estimates that Jackson Purchase will recover its investment between 8.4 months and 16.8 months.

Jackson Purchase states that this project represents an upgrade of existing systems. Jackson Purchase has the hardware in place i.e. AMI meters, feeder regulation and SCADA controlled substations. This project includes; modifying substation feeder regulators to allow for remote adjustment, enhancing the SCADA software to monitor and control regulator output, and installing new software that

analyzes downstream AMI voltages and feeds information back to the SCADA system for regulator control.

Jackson Purchase also states that all substations and feeders are included in this project and Jackson Purchase does not see the need to extend this project beyond the scope of the current work plan. With this completed system, only software upgrades or hardware failure replacements may be necessary in the future.

Commission Staff has determined that **Project 703 SCADA/DA Hardware and Communication Equipment** satisfies the "ordinary course of business" exemption from the CPCN requirement. Therefore, construction can commence on this project.

We appreciate Jackson Purchase's prompt and specific explanations in its August 1, 2012 response to Commission Staff's questions. Should you have any questions, please contact Helen Helton at 502-564-3940, Ext. 244.

Sincerely,  
  
Jeff Berouen  
Executive Director

HH/kg