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April 28, 2015

## PSC STAFF OPINION 2015-008A

Ms. Michelle Herrman  
Vice President, Finance & Accounting  
South Kentucky Rural Electric Cooperative Corporation  
925-929 North Main Street  
P.O. Box 910  
Somerset, KY 42502-0910

Re: South Kentucky Rural Electric Cooperative Corporation's 2015-2018  
Construction Work Plan

Dear Ms. Herrman:

On March 25, 2015, Commission Staff issued PSC Staff Opinion 2015-008 regarding South Kentucky Rural Electric Cooperative Corporation's ("South Kentucky") 2015-2018 Construction Work Plan ("CWP") wherein Commission Staff determined that none of the projects contained in South Kentucky's 2015-2018 CWP required a Certificate of Public Convenience and Necessity ("CPCN") except for the Code 300 projects and the Code 701 security lights project. Based on the information that had been provided by South Kentucky at that time, Staff was unable to conclude whether the Code 300 and Code 701 projects fell within the "ordinary course of business" exemption from the CPCN requirement and requested South Kentucky to provide additional information concerning those projects.

On April 3, 2015, South Kentucky submitted a letter providing additional information on the Code 300 and Code 701 projects, which involved replacements of aging conductors and installation of new LED security lights, respectively. In the April 3, 2015 letter, South Kentucky states that each of the 47 projects listed under Code 300 were individually reviewed and contained similar existing construction, proposed construction, results, and alternative options. Because those projects were similar in nature and were identified in accordance with South Kentucky's design criteria related to aging conductor replacement, South Kentucky stated that it provided a consolidated summary of those projects on page 15 of its 2015-2018 CWP. While it is reasonable in this instance for South Kentucky to provide a consolidated summary of the Code 300

projects, Staff expects in future CWP submissions that South Kentucky will provide information on an individual project basis in connection with Code 300 projects similar to what South Kentucky provided in Case No. 2010-00055<sup>1</sup> involving its 2010-2013 CWP.

Staff has reviewed the supplemental information and is of the opinion that these projects fall within the "ordinary course of business" exemption and do not need a CPCN. The projects would not materially impact South Kentucky's existing financial condition,<sup>2</sup> will not have an immediate impact on South Kentucky's rates, and will not result in wasteful duplication of facilities or conflict with the service of other utilities.

This letter represents Commission Staff's interpretation of the law as applied to the facts presented. This Opinion is advisory in nature and not binding on the Commission should the issues herein be formally presented for Commission resolution. Questions concerning this Opinion should be directed to Quang D. Nguyen at (502) 782-2586.

Sincerely,



Jeff Derouen  
Executive Director

QN/ph

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<sup>1</sup> Case No. 2010-00055, *Application of South Kentucky Rural Electric Cooperative Corporation for a Certificate of Public Convenience and Necessity to Construct Additional Lines and Facilities (Ky. PSC June 24, 2010)*.

<sup>2</sup> As noted in PSC Staff Opinion 2015-008, South Kentucky has a net utility plant of approximately \$167,884,348 as of December 31, 2013.