

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NOLIN RURAL ELECTRIC)	
COOPERATIVE CORPORATION FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	CASE NO.
NECESSITY TO CONSTRUCT FACILITIES)	2010-00518
ACCORDING TO THE APPLICANT'S 12/01/10 -)	
11/30/13 CONSTRUCTION WORK PLAN)	

ORDER

On December 22, 2010, Nolin Rural Electric Cooperative Corporation ("Nolin") filed its application for a Certificate of Public Convenience and Necessity ("CPCN") to construct certain improvements and additions to its existing distribution plant. In support of its application Nolin, filed its 12/01/10-11/30/13 Construction Work Plan ("CWP") which describes in detail the improvements and additions to its plant that are required over the three-year period to serve its load. Nolin estimates that the total cost of the work described in the CWP will be \$12,916,338.

Nolin seeks authorization to construct extensions and additions to its plant as follows:

New member (services) construction	\$ 4,086,112
System improvement projects (line change and conversion)	1,218,596
Transformers and meters	4,157,538
Service upgrades	494,560
Pole replacements	1,323,540
Conductor replacement	1,028,924
Security lighting	<u>607,068</u>
TOTAL	\$12,916,338

Nolin asserts that the proposed construction will enable it to continue to provide adequate and dependable electric service to existing and anticipated new members.

Nolin also asserts that the system improvements recommended in the CWP will not duplicate existing facilities and are needed to correct voltage problems, improve phase balance, reduce system energy losses, and provide for improved service reliability.

Pursuant to its application in Case No. 2004-00160,¹ Nolin has installed an Automated Meter Reading (“AMR”) system which replaced the utility’s mechanical meters with AMR meters at an estimated cost of \$2,000,000. As part of its CWP, Nolin plans to install an additional 2,250 meters which would serve new customers and which would be fully compatible with the existing AMR system. According to Nolin, these new meters are the most current meter technology available on the market.²

Nolin’s application initially included a Load Management/SCADA—Self Healing Project (“SCADA”) for approximately \$3,000,000. In response to Commission Staff’s First Information Request, Nolin stated that it had intended to delete the SCADA project from the CWP and that it was included in error and not meant to be part of the CWP.³ The Commission, however, is interested in whether Nolin intends to upgrade its SCADA system and will pursue this further via informal inquiries from the Commission’s Executive Director’s office.

Based on the record and being otherwise sufficiently advised, the Commission finds that the proposed improvements and additions to be constructed by Nolin are

¹ Case No. 2004-00160, Application of Nolin Rural Electric Cooperative Corporation for a Certificate of Convenience and Necessity for the 2003-2005 Construction Work Plan (Ky. PSC Dec. 22, 2004). Nolin’s application for approval of the meters was initially docketed as Case No. 2004-00184, but the case was consolidated with Case No. 2004-00160. As a result, Case No. 2004-00184 was closed and removed from the docket.

² Response to Item 6 of Commission Staff’s Second Information Request.

³ Response to Item 2 of Commission Staff’s First Information Request.

necessary to provide adequate and reliable electric service to existing customers and anticipated new customers. Therefore, the Commission approves Nolin's CWP and will grant Nolin's application for a CPCN authorizing the construction and improvements described therein.

However, the Commission's approval of the CPCN in this matter does not negate our concern with Nolin's failure to properly comply with the requirements of KRS 278.020, which provides, in pertinent part, that:

No person, partnership, public or private corporation, or combination thereof shall commence providing utility service to or for the public or begin the construction of any plant, equipment, property, or facility for furnishing to the public any of the services enumerated in KRS 278.010, except retail electric suppliers for service connections to electric-consuming facilities located within its certified territory and ordinary extensions of existing systems in the usual course of business, until that person has obtained from the Public Service Commission a certificate that public convenience and necessity require the service or construction.

Pursuant to a Commission letter to Nolin dated November 12, 2009, Nolin was placed on notice that construction work plans involve significant capital expenditures for new facilities and, therefore, could not be deemed ordinary extensions in the usual course of business and are not exempt from the requirements to obtain a CPCN pursuant to KRS 278.020(1).⁴ The November 12, 2009 letter further specifically stated that a CPCN shall be obtained for all work plans prior to beginning construction of the facilities contained in those work plans.

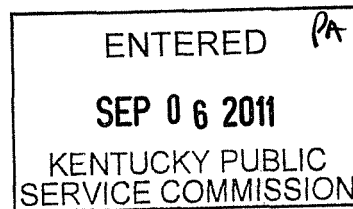
In the current CWP application, Nolin has acknowledged that it began construction of some of the projects contained in the CWP prior to receiving

⁴ November 12, 2009 letter from Commission Executive Director Jeff Derouen.

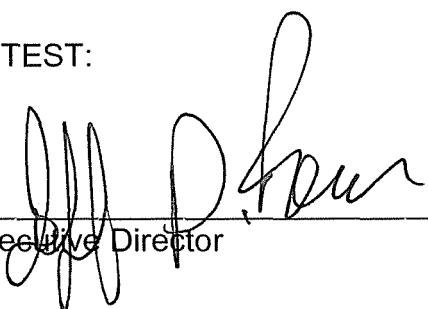
authorization from the Commission to do so. Thus, the Commission finds it necessary to investigate further to determine what steps are necessary to ensure Nolin's future compliance with KRS 278.020. Therefore, by separate Order, the Commission will establish a show cause proceeding to investigate Nolin's failure to comply with KRS 278.020, to determine whether Nolin should adopt any necessary remedial measures to ensure future compliance with KRS 278.020, and to determine whether it is appropriate to assess civil penalties pursuant to KRS 278.990 for Nolin's failure to comply with KRS 278.020.

IT IS THEREFORE ORDERED that Nolin is granted a Certificate of Public Convenience and Necessity to construct the facilities described in its 12/01/10-11/30/13 Construction Work Plan.

By the Commission



ATTEST:



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