

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:

THE APPLICATION OF BIG RIVERS	)	
ELECTRIC CORPORATION FOR	)	
A CERTIFICATE OF PUBLIC	)	
CONVENIENCE AND NECESSITY TO	)	CASE NO. 2004-00365
CONSTRUCT A 161 KV TRANSMISSION	)	
LINE IN BRECKINRIDGE AND MEADE	)	
COUNTIES, KENTUCKY	)	

O R D E R

This matter is before the Commission on the application of Big Rivers Electric Corporation (“Big Rivers”) for a Certificate of Public Convenience and Necessity (“CPCN”) to construct a 17.3 mile, 161 kilovolt (“kV”) transmission line in Breckinridge and Meade counties, Kentucky. The Kentucky General Assembly amended KRS 278.020 in 2004 to require that a utility obtain a CPCN before constructing any electric transmission line of 138 kV or more and of more than 5,280 feet in length (the “Amendments”). Big Rivers filed its application under 807 KAR 5:120E, the emergency regulation adopted by the Commission to implement the Amendments that were in effect on September 20, 2004, the date Big Rivers filed its notice of intent to file its application.

Pursuant to 807 KAR 5:120E, Big Rivers sent a notice to each property owner whose property the transmission line is proposed to cross, and published a notice of the intent to construct the proposed transmission line in the *Meade County Messenger*, a newspaper of general circulation in Meade County, Kentucky, and in the *Breckinridge*

*County Herald News*, a newspaper of general circulation in Breckinridge County, Kentucky.<sup>1</sup> Big Rivers submitted its application to the Commission on October 25, 2004. After Big Rivers supplemented its application to correct certain deficiencies found by the Commission in the initial application,<sup>2</sup> the application was found to be complete and was officially filed on November 15, 2004.

The Commission entered an Order on December 1, 2004, which, among other things: (1) extended from 90 days to 120 days the period after the application filing date within which the Commission must issue its decision; (2) reported that the Commission had employed a consulting firm to issue a report on Big Rivers' need for the proposed transmission line; and (3) responded to written requests for a public hearing by scheduling a public hearing on January 20, 2005 for the purpose of taking local public testimony.

The Commission's investigation of the need for the proposed transmission line included a review of Big Rivers' engineering studies and data at Big Rivers' offices by Commission Staff and the Commission's consultant, The Liberty Consulting Group ("Liberty"). Liberty filed its report on December 22, 2004 ("Liberty Report"). Big Rivers responded to two sets of data requests from Commission Staff. The Commission granted the only motions for intervention in this proceeding, which were filed by Alcan Aluminum and Century Aluminum.<sup>3</sup>

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

<sup>2</sup> To supplement its original application, Big Rivers filed its Response of Big Rivers Electric Corporation to November 1, 2004, Deficiency Letter from the Public Service Commission.

<sup>3</sup> Order dated December 23, 2004.

The Commission held the local public hearing on January 20, 2005 at the Breckinridge County Courthouse in Hardinsburg, Kentucky. Twenty-seven persons, including representatives of Big Rivers, attended the hearing.<sup>4</sup> Seven persons made oral comments, and one person filed written comments following the hearing.<sup>5</sup>

The Commission held a technical, evidentiary hearing at its offices in Frankfort, Kentucky on January 31, 2005. The intervenors were represented at the hearing, but did not actively participate in the proceedings.<sup>6</sup>

Big Rivers is a rural electric cooperative organized pursuant to KRS Chapter 279, whose principal purpose is to provide the wholesale electricity requirements of its three distribution cooperative members, one of which is Meade County Rural Electric Cooperative Corporation (“Meade County RECC”).<sup>7</sup> The proposed line will be used to provide reliable, wholesale electric service to Meade County RECC, and will be located in Breckinridge and Meade counties. The line begins at a tap point in an existing line located approximately 3 miles west of Hardinsburg in Breckenridge County and extends 17.3 miles in a general northeasterly direction to an existing Big Rivers substation located northeast of Irvington in southwestern Meade County.<sup>8</sup> This substation serves seven Meade County RECC distribution substations, which, in turn, serve approximately

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<sup>4</sup> P.S.C. Staff Summary of Comments Received At Public Hearing.

<sup>5</sup> *Id.*

<sup>6</sup> Transcript of Evidence from January 31, 2005 Hearing (“T.E.”) at 5.

<sup>7</sup> See Application at 1.

<sup>8</sup> *Id.* at 2.

9,800 retail customers.<sup>9</sup> The purpose of the proposed line is to serve as a second 161 kV power supply source to that Big Rivers substation and to back up the existing line currently serving the substation.<sup>10</sup>

The estimated cost of the proposed transmission line project is \$3.3 million. The cost of the project will be financed from Big Rivers' working capital.<sup>11</sup>

Big Rivers evaluated multiple options to improve its system before choosing the proposed project.<sup>12</sup> The Commission and some of the landowners who spoke at the public hearing were interested in the alternative to the proposed project that involved only a 3-mile interconnection with an existing 138 kV transmission line owned by Louisville Gas and Electric Company ("LG&E"). The Commission Staff independently wrote LG&E on December 2, 2004, asking for details of the required upgrade and costs associated with this alternative.<sup>13</sup> The evidence, however, reflects that the required improvements would include re-conductoring approximately 28 miles of 138 kV transmission lines in LG&E's system from its Mill Creek generating station to the proposed interconnection at a cost of \$200,000 per mile, for a total cost of \$5.6 million.<sup>14</sup> This amount does not reflect improvements required on Big Rivers' system by this interconnection, which would include constructing a new substation at a cost of roughly

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<sup>9</sup> *Id.* at 5.

<sup>10</sup> *Id.* at 2.

<sup>11</sup> *Id.* at 3.

<sup>12</sup> *Id.* at 8.

<sup>13</sup> See Commission letter to Michael Beer dated December 2, 2004.

<sup>14</sup> T.E. at 25.

\$3 million.<sup>15</sup> The total estimated cost of almost \$9 million for this alternative greatly exceeds the \$3.3 million estimated cost for the project proposed by Big Rivers.<sup>16</sup> LG&E also indicated that system constraints may require additional improvements on the LG&E system that were not included in these cost estimates.<sup>17</sup>

Liberty evaluated Big Rivers' needs and its evaluation of available alternatives to meet those needs. Liberty's final conclusions support Big Rivers' assessment that the proposed transmission line is necessary and is the preferred solution for the reliability issues identified by Big Rivers, as follows:<sup>18</sup>

- Big Rivers needs the construction of its proposed New Hardinsburg to Meade County 161 kV transmission line to meet the electric service requirements of Meade County RECC.
- Big Rivers performed the appropriate system studies and analyses to justify the need for the proposed 161 kV transmission line. Big Rivers appropriately considered least-cost alternatives, including reasonable on-system upgrades, interconnections with and wheeling through neighboring electric systems, installation of on-system generation, and the use of power factor correction.

Big Rivers addressed two specific complaints at the January 31, 2005 hearing. Dean Dowell had expressed concerns about the continued safety of the spring that provides water to several families and farm animals in the area. Big Rivers agreed to

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<sup>15</sup> *Id.* at 26, 35.

<sup>16</sup> *Id.* at 26.

<sup>17</sup> *Id.* at 25, 36.

<sup>18</sup> Final Report – Focused Review of Documentation Filed by Big Rivers Electric Corporation for a Proposed 161 kV Transmission Line Within Kentucky, December 22, 2004, at ES-4.

restrict the use of chemicals around the spring and to include those restrictions in the easement they would ultimately receive from Dean Dowell.<sup>19</sup>

Robert Dowell had complained about the placement of the line on his property. He indicated he did not object to the line crossing his property, but only the location. Big Rivers stated that they had discussed the issue further with Robert Dowell, but the two alternative locations he had proposed would impinge on a neighbor's property.<sup>20</sup> Big Rivers did state, however, that they would entertain other proposals from Robert Dowell.<sup>21</sup>

The Commission concludes that the proposed transmission project is required to assure the reliability of Big Rivers' wholesale power service to Meade County RECC and, in turn, to Meade County RECC's retail customers. We further find that Big Rivers has established both a need and a demand for the proposed project. In addition, the study of alternatives to the proposed transmission line performed by Big Rivers, and supported by the Liberty Report, shows that the proposed line is less costly and more effective in resolving reliability concerns than any of the other options. Moreover, the proposed construction will not result in an unreasonable duplication of facilities.

The Commission, having considered the evidence and testimony offered in this proceeding and being otherwise sufficiently advised, finds that Big Rivers should be granted a CPCN to construct the proposed transmission line.

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<sup>19</sup> T.E. at 30-31.

<sup>20</sup> *Id.* at 29.

<sup>21</sup> *Id.* at 31.

IT IS THEREFORE ORDERED that:

1. Big Rivers is granted a CPCN to construct and operate the proposed transmission line as set forth in its application.

2. Big Rivers shall file "as-built" drawings or maps within 60 days of the completion of the construction authorized by this Order.

Done at Frankfort, Kentucky, this 28<sup>th</sup> day of February, 2005.

By the Commission.

ATTEST:



Executive Director