

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER	)	
COMPANY FOR A CERTIFICATE OF PUBLIC	)	
CONVENIENCE AND NECESSITY TO	)	CASE NO.
CONSTRUCT A 138 KV TRANSMISSION LINE	)	2011-00295
AND ASSOCIATED FACILITIES IN BREATHITT,	)	
KNOTT AND PERRY COUNTIES, KENTUCKY	)	
(BONNYMAN-SOFT SHELL LINE)	)	

O R D E R

On September 29, 2011, Kentucky Power Company ("Kentucky Power") tendered for filing, pursuant to KRS 278.020(2), 807 KAR 5:001, Section 8, 807 KAR 5:001, Section 9, and 807 KAR 5:120, an application for a Certificate of Public Convenience and Necessity ("CPCN") to construct a 138 kV transmission line in Knott and Perry counties approximately 20 miles in length, and for approval for the proposed expansion of the existing Bonnyman Station<sup>1</sup> in Perry County, Kentucky, along with the construction of associated facilities at Kentucky Power's existing Beckham Station and Soft Shell Station in Knott County, Kentucky, and the Haddix Station in Breathitt County.

PROCEDURAL HISTORY

On August 31, 2011, prior to filing its application, Kentucky Power filed a Motion for an Informal Conference for the purpose of addressing a procedural schedule in the case. On September 7, 2011, the Commission issued an Order finding that an informal

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<sup>1</sup> Kentucky Power's application identifies the Bonnyman Station, the Beckham Station, the Soft Shell Station, and the Haddix Station. These locations are not generating units. The terms "station" and "substation" are utilized interchangeably in reference to these locations.

conference would be more beneficial if it were scheduled after Kentucky Power's application had been filed. The Order directed Commission staff to issue a notice of informal conference after Kentucky Power's application had been received and accepted as filed. Kentucky Power's application was accepted as filed on September 29, 2011.

Pursuant to KRS 278.020(8), the Commission issued an Order on October 28, 2011 that extended the period of review of Kentucky Power's application to 120 days, up to and including January 27, 2012, and that established a procedural schedule.<sup>2</sup> The procedural schedule set a November 10, 2011 deadline for requests for intervention and allowed requests to be filed by November 15, 2011 for a public hearing in the county in which the transmission line is proposed to be constructed. No requests for intervention were filed and no requests for a public hearing in the county in which the transmission line is proposed to be constructed were made. One written comment was received on October 25, 2011.<sup>3</sup>

On December 7, 2011, an Order was issued setting this matter for hearing on January 4, 2012. On December 14, 2011, Kentucky Power filed a Motion to cancel the hearing, stating that there were no intervenors in the case and that no person had

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<sup>2</sup> The procedural schedule was issued without conducting an informal conference; as such, the purpose of convening an informal conference for the purpose of addressing a procedural schedule was rendered moot.

<sup>3</sup> On the morning of January 4, 2012, Mr. Dwight Jett, a property owner whose land will be impacted by the transmission line, appeared at the Commission offices in anticipation of a hearing. Staff contacted counsel for Kentucky Power and, later in the morning, representatives of Kentucky Power appeared at the Commission offices. An informal conference was conducted. On January 20, 2012, Kentucky Power filed a Status Report with regard to the January 4, 2012 meeting with Mr. Jett and indicated that Kentucky Power would respond to Mr. Jett's demand for the right-of-way purchase.

requested an evidentiary hearing and that the matter should be submitted for decision on the written record. On December 21, 2011, the Commission issued an Order cancelling the January 4, 2012 hearing and directing Kentucky Power to publish notice that the hearing was cancelled in those newspapers in which Kentucky Power had published notice of hearing pursuant to 807 KAR 5:011, Section 8(5).

Pursuant to its authority at KRS 278.020(8), the Commission utilized the services of an independent consulting firm, Accion Group,<sup>4</sup> to assist in its evaluation of Kentucky Power's application. On November 7, 2011, Accion Group's Final Report to the Commission, "Focused Review of Documentation Filed by Kentucky Power Company for a Proposed 138kV Transmission Line from Soft Shell Substation to Bonnyman Substation Case No. 2011-00295," was filed in the record. Accion performed an independent evaluation including an evaluation of:

1) Kentucky Power's analyses and conclusions in support of the reasonableness of the need for the proposed transmission line;

2) Kentucky Power's analyses and conclusions in support of its position that the proposed transmission line is the best overall alternative including wheeling of power through neighboring systems; and

3) The reasonableness of the routing proposed by Kentucky Power in that proper social, environmental, and economic factors were fairly and reasonably considered.

#### THE PROPOSED TRANSMISSION LINE

The proposed transmission line is to be constructed with two construction

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<sup>4</sup> Accion Group, Inc., of Concord, New Hampshire was utilized by the Commission in this case.

configurations. Approximately 19 miles of the proposed 20-mile transmission line is proposed to be of single circuit configuration and in a new 100-foot right-of-way. The line is proposed to be in the center of this new right-of-way and will be supported by steel pole H-frame and three-pole structures. These structures will support three conductors and two overhead groundwires. The conductors will consist of 1,590 kcm Aluminum Conductor Steel Reinforced ("ACSR") conductors. The overhead groundwires will consist of one 7#8 Alumoweld wire and one fiber optic overhead groundwire, which will be used for relaying communications between stations. The average height of the structures is proposed to be approximately 85 feet.

Approximately one mile of the proposed 20-mile transmission line is proposed to be constructed within the existing Hazard-Bonnyman 69 kV line right-of-way. The existing Hazard-Bonnyman 69 kV structures are proposed to be replaced with steel lattice tower structures to support the new double circuit configuration. The average height of the existing structures is approximately 65 feet. The new steel lattice towers are proposed to be approximately 100 feet in height.

The proposed improvements to the Bonnyman Substation include: a) installation of a 138 kV/69kV, 130 MVA or similar MVA-rated transformer; b) installation of a 138 kV circuit breaker pointing toward Soft Shell Substation; c) installation of devices for line protection and control; d) installation of a sub-transmission transformer relay package on the new transformer; e) installation of a 69 kV breaker with relay control on the low side of the 138 kV/69kV transformer; f) replacement of relays on circuit breakers A & C with standard sub-transmission line relaying package; g) replacement of the 69 kV bus differential with relaying devices; and h) installation of a 24' W x 32' L x 10' H building for housing control equipment.

### PROPOSED IMPROVEMENTS TO THE HADDIX SUBSTATION

The proposed minor improvements to the Haddix Substation will include the installation of a 5.4 MVAR, 69 kV capacitor bank.

### PROPOSED IMPROVEMENTS TO THE BECKHAM SUBSTATION

The proposed minor improvements to the Beckham Substation include the installation of a 43.2 MVAR, 138 kV capacitor bank, and installation of a 24' W x 32' L x 10' H building for housing control equipment.

### PROPOSED IMPROVEMENTS TO THE SOFT SHELL SUBSTATION

The proposed improvements to the Soft Shell Substation will allow for a new 138 kV line connection to the Bonnyman Substation.

### PROJECTED COSTS

Kentucky Power's application states that the projected cost of this project is approximately \$62.5 million. It further states that the proposed construction does not involve sufficient capital outlay to materially affect the financial condition of Kentucky Power,<sup>5</sup> and that construction will be financed through Kentucky Power's internally generated funds. It states that, after the proposed facilities are completed, their estimated annual cost of operation, excluding additional ad valorem taxes, will be approximately \$50,000 per year for general maintenance and inspection. Finally, the application states that the projected annual additional ad valorem taxes resulting from the project are expected to total approximately \$780,000.

### PROPERTY ACQUISITION

The application states that the proposed transmission line will traverse approximately 84 parcels (excluding highway crossings) involving 65 landowners. To

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<sup>5</sup> Application, paragraph 10, p. 4.

ensure flexibility necessary to address last-minute or unanticipated issues regarding construction of the transmission line, Kentucky Power has requested authority to move the approved centerline 250 feet in either direction (within a 500-foot corridor) as long as: 1) the property owner onto whose property the line is moved was notified of this proceeding in accordance with 807 KAR 5:120, Section 2(3) [sic];<sup>6</sup> and 2) the property owner onto whose property the line is moved agrees in writing to the requested move.

The application states that Kentucky Power is negotiating with affected property owners for acquisition of the necessary rights-of-way and that it has contacted all property owners over whose property the line is expected to cross in connection with obtaining permission to survey their property. The application also states that, “[t]o date, only four property owners have expressed objections to the line.”<sup>7</sup> The application indicates that Kentucky Power will provide the Commission with periodic property acquisition status updates and that, after construction is completed, it will file with the Commission an “as-built” survey of the final location of the line.

#### OTHER ALTERNATIVES CONSIDERED IN LIEU OF THE PROPOSED PROJECT

The application states that Kentucky Power considered other alternatives in lieu of its current proposed project including 1) creating a second 161 kV interconnection with Kentucky Utilities Company at the Hyden Station and connecting Kentucky Power’s Bonnyman Station; 2) re-conductoring the Hazard 69 kV sub-transmission loop; and 3) constructing a transmission line to Kentucky Power’s Hazard Station from the TVA system.

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<sup>6</sup> 807 KAR 5:120, Section 2(3).

<sup>7</sup> Application, paragraph 12, p. 5.

Kentucky Power states that these alternatives were rejected because they were not feasible or because they could not provide the same benefits at or below the cost of the proposed project.

#### ALTERNATIVE ROUTES AND SITES CONSIDERED

The application states that Kentucky Power retained the services of GAI Consultants, Inc. ("GAI") of Homestead, Pennsylvania to develop a route that 1) avoids or minimizes present and future land use conflicts; 2) reasonably minimizes adverse impact on environmental resources; and 3) is consistent with the Company's siting criteria. The *Transmission Land Siting Study* performed by GAI is included in Kentucky Power's application.

Kentucky Power indicates that stakeholder input was collected through public workshops conducted on December 7, 2010 in Hindman, Kentucky, and on December 8, 2010 in Hazard, Kentucky. The company further states that it established a public website to receive comments. It states that it met with large land holders (coal companies) to avoid or minimize future land use conflicts and potential relocation risks; and had over 100 landowner contacts by company land agents.

Kentucky Power explains that five transmission right-of-way line alternatives were considered, each of which begins at the Bonnyman Station and ends at the Soft Shell Station. "The GAI Report indicates that Alternative 3 will have the least impact on residences and existing and future mineral extraction. Alternative route 3 is 20 miles in length, generally parallels Route 80, and traverses a landscape dominated by past mineral extraction."<sup>8</sup>

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<sup>8</sup> Application, paragraph 25, p. 10.

Based on GAI's recommendation, Kentucky Power indicated that it selected the route identified as "Alternative 3"<sup>9</sup> in the application. Kentucky Power identified a number of reasons in the GAI report for the selection of Alternative 3, including:

1. As of the filing of the application, only four persons contacted had registered opposition. The other alternatives registered greater, albeit moderate, opposition during stakeholder input.

2. Alternative 3 has significantly less potential risk for future relocations (less than 10 percent) compared to the other alternatives due to its proximity to Route 80, which limits future mining.

3. Coal companies whose property would be crossed by the alternatives favored Alternative 3.

4. The cost to construct Alternative 3 is estimated to be approximately 10 percent less than the other alternatives.

5. The route, which was developed iteratively and in coordination with stakeholders, is strongly endorsed by local government officials and major landowners.

6. Due to the proximity to Route 80, there are numerous existing access roads which can be utilized for construction and maintenance of Alternative 3. In general, other alternatives deflect away from Route 80 and have fewer existing access roads.

7. Alternative 3 has the least impact on residences.

8. Alternative 3 will require a moderate amount of forest clearing (173 acres). Minimizing forest clearing to the extent practicable was recommended by the U.S. Fish

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<sup>9</sup> Id.



and Wildlife Service to reduce potential impacts on federally-protected bats.

### FINDINGS

Having reviewed the evidence in the record and being otherwise sufficiently advised, the Commission finds that the proposed 138 kV transmission line is necessary, its construction is reasonable and will not result in the wasteful duplication of facilities, and that approval thereof should be granted.

The Commission also understands the need, in limited circumstances, to permit a utility the flexibility to address unanticipated construction issues. The Commission therefore finds that Kentucky Power should have the ability to move the approved centerline of the right-of-way 250 feet in either direction (i.e., within a 500-foot corridor) as long as: (1) the property owner onto whose property the line is moved was notified of this proceeding in accordance with 807 KAR 5:120, Section 2(3); and (2) the property owner onto whose property the line is moved agrees in writing to the requested move. Kentucky Power should file with the Commission a survey of the final location of the line after all moves are completed and before construction begins.

Any changes greater than the distance identified in the paragraph above or involving landowners not identified in Kentucky Power's application will require Kentucky Power to file another application with the Commission. If another agency requires an alteration of the line that does not meet all of the conditions listed above, Kentucky Power must apply for a CPCN for the modified route.

Kentucky Power should file with the Commission an "as-built" survey of the final location of the line.

Kentucky Power should provide the Commission with periodic property-acquisition updates.

Kentucky Power should provide copies of any permits acquired in connection with this project, including but not limited to the Kentucky Pollutant Discharge Elimination System permit.

Kentucky Power's application for a CPCN for the construction of the proposed Bonnyman-Soft Shell 138 kV transmission line and related facilities should be approved.

IT IS THEREFORE ORDERED that:

1. Kentucky Power is granted a CPCN to construct the proposed Bonnyman-Soft Shell 138 kV transmission line and related facilities as set forth in its application.

2. In the event Kentucky Power moves the centerline of the right-of-way in either direction, Kentucky Power shall provide evidence to the Commission that the affected property owner, or owners, onto whose property the line is moved, was notified of this proceeding in accordance with 807 KAR 5:120, Section 2(3). In addition, Kentucky Power shall obtain the written permission of the property owner, or owners onto whose property the line is moved, and shall provide the Commission a copy of any such documentation within 30 days after such documentation becomes available.

3. In the event Kentucky Power desires any changes in the transmission line route greater than the distance identified in the findings paragraph above, or involving landowners not identified in Kentucky Power's application, Kentucky Power shall file a new application with the Commission.

4. In the event another agency requires an alteration of the line that does not meet all of the conditions identified in the findings paragraphs, Kentucky Power shall apply for a CPCN for the modified route.

5. Kentucky Power shall file with the Commission any permits acquired in connection with this project within 30 days of issuance.

6. Before construction begins on the transmission line, Kentucky Power shall file a survey of the final location of the transmission line, including a map with aerial photography, parcel lines and labels, the centerline and right of way, and pole locations, along with a table of parcels and easement status demonstrating that Kentucky Power has obtained all of the necessary easements to construct the transmission line. If Kentucky Power has not obtained all of the easements necessary to construct the transmission line, Kentucky Power shall file a report demonstrating that it has undertaken condemnation proceedings pursuant to KRS Chapter 416 in order to obtain the necessary rights-of-way.

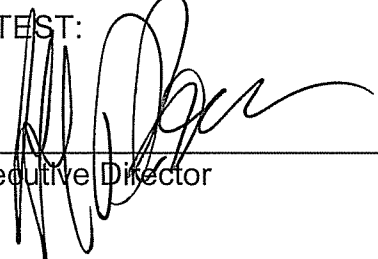
7. Kentucky Power shall file with the Commission "as-built" drawings or maps within 60 days of completion of the construction authorized by this Order.

8. Any documents filed in the future pursuant to ordering paragraphs 2, 5, 6, or 7 herein shall reference this case number and shall be retained in the utility's general correspondence files.

9. This case is hereby closed and removed from the Commission's docket.

By the Commission

ENTERED <sup>(A)</sup>  
JAN 26 2012  
KENTUCKY PUBLIC  
SERVICE COMMISSION

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