

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC

ATTORNEYS AT LAW

Ronald M. Sullivan  
Jesse T. Mountjoy  
Frank Stainback  
James M. Miller  
Michael A. Fiorella  
William R. Dexter  
Allen W. Holbrook  
R. Michael Sullivan  
P. Marcum Willis  
Bryan R. Reynolds  
Mark G. Luckett  
Tyson A. Kamuf  
Mark W. Starnes

February 15, 2005

**Via Federal Express**

Ms. Elizabeth O'Donnell  
Executive Director  
Public Service Commission  
211 Sower Boulevard, P.O. Box 615  
Frankfort, Kentucky 40602-0615

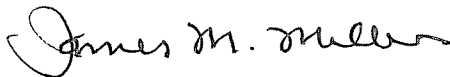
RECEIVED  
FEB 16 2005  
PUBLIC SERVICE  
COMMISSION

Re: In the matter of: The Application of Big Rivers Electric Corporation  
for a Certificate of Public Convenience and Necessity to Construct a  
161 kV Transmission Line in Breckinridge and Meade Counties,  
Kentucky, PSC Case No. 2004-00365

Dear Ms. O'Donnell:

Enclosed are an original and eleven copies of a draft order in the above-styled matter. This draft order is being filed pursuant to the directions received by Big Rivers Electric Corporation from the Public Service Commission during the hearing in the above-styled matter on January 31, 2005. Please contact us if there are any questions.

Sincerely yours,



James M. Miller

JMM/ej  
Enclosures

cc: Service List  
David Spainhoward  
Travis Housley

Telephone (270) 926-4000  
Telecopier (270) 683-6694

100 St. Ann Building  
PO Box 727  
Owensboro, Kentucky  
42302-0727

**SERVICE LIST**  
**PSC CASE NO. 2004-00365**

Michael L. Kurtz, Esq.  
Boehm, Kurtz & Lowry  
36 East Seventh Street, Suite 1510  
Cincinnati, OH 45202

David C. Brown, Esq.  
Stites and Harbison  
Suite 1800  
400 W. Market Street  
Louisville, Kentucky 40202-3352

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 Construct a 161 kV Transmission Line  
in Breckinridge and Meade Counties, Kentucky

)  
)  
) Case No. 2004-00365  
)  
)  
)

RECEIVED

FEB 1 6 2005

PUBLIC SERVICE  
COMMISSION

ORDER

This matter is before the Commission on the application of Big Rivers Electric Corporation ("Big Rivers") for a certificate of public convenience and necessity 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 certificate of public convenience and necessity before construction of any electric transmission line of one hundred thirty-eight (138) kilovolts or more and of more than five thousand two hundred eighty (5,280) feet in length (the "2004 Amendments"). Big Rivers filed its application under 807 KAR 5:120E, the emergency regulations adopted by the Commission to implement the 2004 Amendments that were in effect on the date Big Rivers filed its notice of intent to file its application initiating this proceeding, September 20, 2004.

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 deemed complete, and was officially filed on November 15, 2004.

The Commission entered an order in this matter 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 the services of 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 setting a public hearing for the purpose of taking local public testimony for January 20, 2005. 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 Consulting"). Liberty Consulting 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>

The Commission held the local public hearing on January 20, 2005, at the Breckinridge County Courthouse in Hardinsburg, Kentucky. Twenty-seven persons,

---

<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, hereinafter referred to as the "Supplemental Application."

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

including the 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 also held a technical, evidentiary hearing at its offices in Frankfort, Kentucky, on January 31, 2005. Alcan Aluminum and Century Aluminum were represented at the hearing, but did not actively participate in the proceedings.<sup>6</sup>

Based upon the foregoing and the record in these proceedings, the Commission finds that 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 utilized by Big Rivers in providing 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 central Breckenridge County and extends in a general northeasterly direction a distance of 17.3 miles to an existing Big Rivers substation located northeast of Irvington in southwestern Meade County.<sup>8</sup> The Big Rivers substation serves seven Meade County RECC distribution substations, which, in turn, serve approximately 9,800 retail customers.<sup>9</sup> The purpose of the proposed line is to serve as a second 161 kV power supply source

---

<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 at 5.

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

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

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

to that Big Rivers substation, and to backup the existing line that currently serves the substation.<sup>10</sup>

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

The Commission finds that the proposed transmission line project is required to assure the reliability of Big Rivers' wholesale power service to Meade County RECC and, in turn, Meade County RECC's retail customers. The Commission concurs in Liberty Consulting's final conclusions supporting Big Rivers' assessment that the proposed transmission line is necessary, and is the preferred solution for the reliability issues identified by Big Rivers:<sup>12</sup>

1. 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.
2. 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 evaluated multiple options to improve its system before settling on the proposed transmission line project.<sup>13</sup> The Commission, and some of the landowners who spoke at the public hearing, were very interested in the alternative to the proposed

---

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

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

<sup>12</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.

<sup>13</sup> Application at 8.

project that involved only a three-mile interconnection with an existing 138 kV transmission line owned by Louisville Gas & Electric (“LG&E”). In fact, 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>14</sup> But the evidence is that the required improvements would include re-conductoring approximately 28 miles of 138 kV transmission lines in the LG&E system between Mill Creek and the proposed interconnection at a cost of \$200,000 per mile, for a total cost of approximately \$5.6 million.<sup>15</sup> This amount does not include improvements on Big Rivers’ system that would also be required by the interconnection, which would include the construction of a new substation at a cost of approximately \$3 million.<sup>16</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>17</sup> LG&E has also indicated that system constraints may require additional improvements on the LG&E system that were not included in these cost estimates.<sup>18</sup>

The Commission finds that Big Rivers has established both a need and a demand for the proposed construction. Moreover, the study of alternatives to the proposed transmission line performed by Big Rivers, and supported by the Liberty Report, show that the proposed transmission line is less costly and more effective in resolving reliability concerns than any of the other options. The proposed construction is a prudent investment that will not result in an unreasonable duplication of facilities.

---

<sup>14</sup> See Commission letter to Michael Beer dated December 2, 2004.

<sup>15</sup> Transcript of Evidence from January 31, 2005, Hearing at 25.

<sup>16</sup> Id. at 26, 35.

<sup>17</sup> Id. at 26.

<sup>18</sup> Id. at 25, 36.

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

IT IS THEREFORE ORDERED that:

1. Big Rivers is granted a certificate of public convenience and necessity 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 certificated herein.

Done at Frankfort, Kentucky, this \_\_\_\_\_ day of \_\_\_\_\_, 2005.

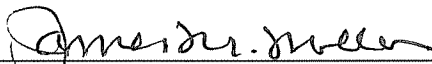
By the Commission.

ATTEST:

\_\_\_\_\_  
Executive Director

Tendered by:

SULLIVAN, MOUNTJOY, STAINBACK  
& MILLER, P.S.C.

  
\_\_\_\_\_  
James M. Miller  
Tyson Kamuf  
100 St. Ann Building, P. O. Box 727  
Owensboro, Kentucky 42302-0727  
(270) 926-4000  
Counsel for Big Rivers Electric Corporation