



Steven L. Beshear
Governor

Mark David Goss
Chairman

Robert D. Vance, Secretary
Environmental and Public
Protection Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

Larry R. Bond
Commissioner
Department of Public Protection

February 29, 2008

Honorable David F. Boehm
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OH 45202

CERTIFICATE OF SERVICE

RE: Case No. 2007-00430
American Electric Power

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on February 29, 2008.

Executive Director

BOD/rs
Enclosure



Steven L. Beshear
Governor

Robert D. Vance, Secretary
Environmental and Public
Protection Cabinet

Larry R. Bond
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

February 29, 2008

Larry Cook
Assistant Attorney General
Office of the Attorney General Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

CERTIFICATE OF SERVICE

RE: Case No. 2007-00430
American Electric Power

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on February 29, 2008.

Executive Director

BOD/rs
Enclosure



Steven L. Beshear
Governor

Mark David Goss
Chairman

Robert D. Vance, Secretary
Environmental and Public
Protection Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

Larry R. Bond
Commissioner
Department of Public Protection

February 29, 2008

Honorable Mark R. Overstreet
Attorney at Law
Stites & Harbison
421 West Main Street
P. O. Box 634
Frankfort, KY 40602-0634

CERTIFICATE OF SERVICE

RE: Case No. 2007-00430
American Electric Power

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on February 29, 2008.

Executive Director

BOD/rs
Enclosure



Steven L. Beshear
Governor

Robert D. Vance, Secretary
Environmental and Public
Protection Cabinet

Larry R. Bond
Commissioner
Department of Public Protection

Errol K. Wagner
Director Regulatory Services
American Electric Power
101A Enterprise Drive
P. O. Box 5190
Frankfort, KY 40602

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

February 29, 2008

CERTIFICATE OF SERVICE

RE: Case No. 2007-00430
American Electric Power

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on February 29, 2008.

Executive Director

BOD/rs
Enclosure

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. 2007-00430
CONSTRUCT A 138 KV TRANSMISSION)
LINE AND ASSOCIATED FACILITIES IN)
KNOTT COUNTY, KENTUCKY (SOFT SHELL))

O R D E R

Kentucky Power Company ("Kentucky Power") has applied for a Certificate of Public Convenience and Necessity ("CPCN") to construct a 138 kV transmission line and other improvements, including a new substation in Knott County, Kentucky. Finding that the public convenience and necessity require construction of the proposed transmission line, substation, and other improvements, we hereby issue a CPCN to Kentucky Power.

BACKGROUND

Kentucky Power, a wholly owned subsidiary of American Electric Power Co., Inc.,¹ is an electric utility organized as a corporation under the laws of the Commonwealth of Kentucky. It is engaged in the generation, purchase, transmission, distribution and sale of electric power, with service to approximately 175,000 customers in 20 counties of eastern Kentucky: Boyd, Breathitt, Carter, Clay, Elliott, Floyd, Greenup, Johnson, Knott, Lawrence, Leslie, Letcher, Lewis, Magoffin, Martin, Morgan,

¹ Application at 2.

Owsley, Perry, Pike and Rowan.² Kentucky Power also supplies electric power at wholesale to other utilities and municipalities in Kentucky for resale.³

PROCEDURE

On November 16, 2007, Kentucky Power filed an application for a CPCN for a 1.6 mile 138 kV transmission line and other improvements, including a new substation ("Soft Shell Station") in Knott County, Kentucky. On November 29, 2007, the Commission entered an Order establishing a procedural schedule which provided for a February 7, 2008 public hearing. The Order also established December 17, 2007 as the deadline for any motions to intervene as well as for any requests for a local public hearing to be held in Knott County.

The December 17, 2007 deadline passed without any requests for a local public meeting being filed. To date, no written comments opposing the transmission line application have been filed, and the Commission is unaware of any public objection or opposition to the proposed project. On December 28, 2007, Kentucky Power filed a motion to cancel the February 7, 2008 hearing before the Commission and to submit the case for a decision on the record. Due to the lack of any public interest in the siting of the transmission line, its relatively short length, and the fact that the entire construction project will be located within a single county, the Commission granted Kentucky Power's motion cancelling the formal hearing.⁴

² *Id.* at 1-2.

³ *Id.* at 2.

⁴ See Commission's Order dated January 7, 2008.

STATEMENT OF THE CASE

Kentucky Power proposes to construct a 138 kV transmission line from the proposed Soft Shell Station, which is located near Soft Shell, Kentucky and the existing "Yellow Mountain Switch" on the Beaver-Creek-Harbert-Spicewood 138kV line.⁵ The typical line construction will be steel lattice towers using 6-1590 MCM 54/19 ACSR phase wires and one 7#8 aluminum clad static wire for protection along the proposed route.⁶ Kentucky Power states that the line will serve to increase service reliability in the area.⁷

The proposed project also includes the construction of Soft Shell Station, a 138-34.5 kV, 30 MVA station with two 34.5 kV distribution breakers, and associated distribution circuit improvements.⁸ Kentucky Power states that the station is needed to relieve loading on the existing Beckham Station located at Hindman, Kentucky and to serve additional customer loads in Knott County.⁹ The total construction cost of the proposed project is estimated to be \$10.01 million, including transmission line costs of \$3.84 million, distribution line improvements of \$1.5 million, and \$4.67 million for the proposed Soft Shell Station.¹⁰

⁵ Application at 2.

⁶ *Id.* at 3.

⁷ *Id.* at 9.

⁸ Application at 3.

⁹ *Id.* at 5.

¹⁰ Kentucky Power's Response to Commission Staff's Second Data Request, Item 3.

DISCUSSION

The issues to be decided in an application for a CPCN to construct facilities are (1) whether the facilities are needed and (2) whether the construction will result in a wasteful duplication of facilities.¹¹ Based on the evidence in the record, the Commission concludes that the proposed 138 kV transmission line, the Soft Shell Station, and the accompanying improvements are necessary and reasonable and that their construction will not result in the wasteful duplication of facilities.

In its first data request, Commission Staff requested that Kentucky Power provide three maps as a supplement to the maps included with the application. The Commission requested: (1) a map of the current distribution system; (2) a map showing the proposed Soft Shell Station, the proposed transmission line, and the distribution system which will result from the proposed construction; and (3) a map showing the alternative solution outlined on page 6, paragraph 18 of the application of "installing a second 30 MVA transformer and two additional breakers at the Beckham Station, along with the construction of 15,000 feet of new 410 AA 34 kV line and 7,300 feet of triple circuit line from the Beckham Station to Hindman and splitting the Hindman and Carrs Fork circuits with additional line improvements." On December 19, 2007, Kentucky Power filed copies of the three requested maps with the Commission.

Kentucky Power is obligated under KRS 278.030(2) to provide "adequate, efficient and reasonable service" to its customers within its service territory. The application and the additional maps show a clear need for the proposed transmission

¹¹ Kentucky Utilities Company v. Public Service Commission, 252 S.W.2d 885 (Ky. 1952).

line, Soft Shell Station, and the associated improvements. The proposed Soft Shell Station is required to relieve distribution loading on the existing Beckham Station located at Hindman.¹² Currently, the 2007-2008 projected winter loading on the Beckham Station transformer is 37.6 MVA or 90 percent of its calculated winter capability of 41.8 MVA.¹³ Without the proposed improvements, the projected load growth in Knott County will exceed the system's capabilities by the summer of 2014.¹⁴

In addition to the need to serve anticipated load growth in Knott County, the proposed construction is also necessary for reliability purposes. In the event of the loss of Beckham Station, the existing system can transfer only 6 MVA of load to the adjacent Vicco Station, which could leave approximately 4,500 customers without power.¹⁵ Kentucky Power states that it would likely require two mobile transformers to restore service during such an outage and that such transformers are not readily available.¹⁶

Kentucky Power examined an alternative to the proposed transmission line and substation.¹⁷ However, that alternative was rejected in favor of the proposal because it did not adequately address contingency situations resulting from circuit and station

¹² Application at 5.

¹³ *Id.*

¹⁴ *Id.* at 6. According to the application, projected load growth includes expanded coal mining activities in the county and a new sports complex being constructed outside of Hindman, Kentucky, with additional residential and commercial activity projected to locate in the area surrounding the complex.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *See Id.* at 6-7.

outages.¹⁸ In the event of an outage, the proposed line and station will permit recovery of all customers served from the Beckham Station.¹⁹ Also, the proposed line and station will provide for future load growth in the Hindman and Carrs Fork areas and improve circuit reliability indices by reducing long circuits with excessive exposure.²⁰ In addition, Kentucky Power will be able to easily switch the distribution loads between stations and circuits for maintenance purposes.²¹

ALTERNATIVE TRANSMISSION LINE ROUTES

Kentucky Power retained the services of a consultant to review, develop, and evaluate alternative transmission line routes for the proposed project. The consultant prepared a report of its analysis, which was filed with Kentucky Power's application.²² The consultant analyzed three possible routes for the proposed transmission line, denoted Routes A, B, and C in the report.²³

Route A was found to be an unfeasible alternative. The consultant identified serious constraints with regard to land use issues for Route A.²⁴ A mining company that owns property in the Route A right-of-way indicated that siting the line through its

¹⁸ *Id.* at 7.

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.*

²² *Id.*, Exhibit 7.

²³ *Id.*, Exhibit 7 at 8.

²⁴ *Id.* at 11.

property would have substantial economic and resource use impacts on its operations.²⁵

The consultant concluded that the mining plans and development plans are so extensive that it would not be practicable to alter Route A to avoid these constraints.²⁶

Route C did not have the land use constraints problematic to Route A; however, it was found to have the greatest visual impact among the three alternatives.²⁷

According to the consultant's report, it will be highly visible from State Route 80 and the residences along that roadway, as well as the Knott County sports complex (once the complex, currently under construction, is open).²⁸

Route B was both the shortest²⁹ and least expensive of the three routes.³⁰ In addition, the consultant cited several other factors indicating that Route B is the most suitable of the three:

Alternative B...requires the least ROW acquisition and overall least land disturbance with approximately 19 acres in the ROW.

Alternative B is located almost entirely within unoccupied and isolated wooded areas with limited viewsheds. Alternative B is removed from the view of sensitive receptors once it crosses State Route 80. Therefore, it has the least visual impact of any of the alternatives.

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id.*

³⁰ Kentucky Power's Response to Commission Staff's Second Data Request, Item 3.

Alternative B is located within an area planned for future area and contour strip mining. This minimizes the potential for future land use, visual, and habitat impacts associated with introduction of the transmission line to the landscape at this location.³¹

Kentucky Power ultimately selected Route B as the proposed route for the 138 kV line.³²

The Commission finds Kentucky Power's reliance on its consultant's report for its selection of Route B to be reasonable. The methodology employed by the consultant gave adequate consideration to the various impacts that the proposed transmission line would have on the citizens of Knott County and on the land uses along the routes that were examined. Given the constraints associated with Routes A and C and the relative advantages to siting the line along Route B, the Commission agrees that Route B is the most suitable route for the proposed 138 kV transmission line.

FINDINGS

The Commission finds that Kentucky Power has established a need for the subject transmission line, Soft Shell Station, and other improvements through the evidence submitted in support of its application and the answers filed in response to Commission Staff's questions. We also find that Kentucky Power engaged in an adequate review of alternative transmission line routes.

Based on these findings and the record in its entirety, the Commission finds that the proposed project will not create a needless duplication of facilities. Under the standards set forth in KRS 278.020 and Kentucky Utilities Company v. Public Service Commission, 252 S.W.2d 885 (Ky. 1952), the Commission finds that Kentucky Power's

³¹ Application, Exhibit 7, at 11.

³² Application at 8.

application for a CPCN for a 138 kV transmission line, Soft Shell substation, and other improvements in Knott County, Kentucky should be approved, subject to the following conditions.

CONDITIONS OF APPROVAL

Exhibit 4 to Kentucky Power's Application shows the ten property tracts that will be or might be affected by the proposed transmission line siting. The original Exhibit 4 indicated that Kentucky Power had obtained easements for 7 of the 10 properties. On February 1, 2008, Kentucky Power filed an update to Exhibit 4 showing that 9 of the easements have been obtained. The final easement is for a property indicated as being subject to a "possible overhang" of the transmission line. The amended Exhibit 4 states that the easement for the final property is "pending final survey," and that the survey "will be completed by February 15, 2008.

As explained above, neither a local public hearing nor a formal public hearing was held in this matter. While the Commission is unaware of any public opposition to the line, a local public hearing or a formal public hearing would have given private property owners a final chance to voice their concerns about construction of the line, despite not having intervened in the case and not filing any written comments. Therefore, as a condition of this Order, prior to beginning construction, Kentucky Power shall file a final update to Exhibit 4 of its application demonstrating that it has obtained all necessary easements to construct the transmission line. If Kentucky Power does not obtain all of the easements shown in Exhibit 4 prior to the date upon which it plans to begin construction, it shall also file a report demonstrating that it has undertaken condemnation proceedings pursuant to KRS 416.540 *et. seq.* in order to obtain the

necessary rights-of-way prior to construction. This condition will provide the Commission with further assurance that Kentucky Power has taken all necessary steps to prevent undue harm to private property owners.

The Commission understands the need, in limited circumstances, to give a utility flexibility to address last-minute or unanticipated issues regarding the construction of a transmission line. Kentucky Power may therefore move the approved centerline 500 feet in either direction (i.e., within a 1,000-foot corridor) as long as: (1) the move does not shift the line or its right-of-way onto the property of a different landowner; and (2) the property owner who is subject to the move agrees in writing to the requested move. So that the Commission will have a record, Kentucky Power must file a survey of the final location of the line after all of such moves are completed and before construction begins.

Any changes greater than 500 feet or involving other landowners not identified in Exhibit 4 to the application, will require Kentucky Power to come back to the Commission with another application. Likewise, if another agency requires an alteration of the line that does not meet all conditions set forth in this section,³³ that action will necessitate an amendment of the CPCN granted herein.

IT IS THEREFORE ORDERED that:

1. Kentucky Power is granted a CPCN to construct and operate the proposed transmission line, Soft Shell Station, and associated improvements as set forth in its application.

³³ Namely, (1) that the move is no more than 500 feet to either side, (2) that it does not shift the line or its right-of-way onto another landowner, and (3) that the property owner who is subject to the move agrees in writing to the requested move.

2. Prior to beginning construction of the transmission line, Kentucky Power shall file a final update to Exhibit 4 of its application with the Commission demonstrating that it has obtained all of the necessary easements to construct the transmission line. If Kentucky Power does not obtain all of the easements shown in Exhibit 4 prior to the date upon which it plans to begin construction, it shall also file a report demonstrating that it has undertaken condemnation proceedings pursuant to KRS 416.540 *et. seq.* in order to obtain the necessary rights-of-way prior to construction.

3. Kentucky Power shall file a survey of the final location of the line after any changes to the route authorized by the Order and before construction begins.

4. Kentucky Power 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 29th day of February, 2008.

By the Commission

ATTEST



Executive Director