

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES	)	
COMPANY FOR A CERTIFICATE OF PUBLIC	)	CASE NO.
CONVENIENCE AND NECESSITY FOR THE	)	2010-00164
CONSTRUCTION OF TRANSMISSION FACILITIES	)	
IN MCCRACKEN COUNTY, KENTUCKY	)	

O R D E R

On November 23, 2010, Kentucky Utilities Company ("KU") tendered for filing an application for a Certificate of Public Convenience and Necessity ("CPCN") to construct a 1.69 mile, 161 kV transmission line in McCracken County, Kentucky. KU's application was rejected for filing due to noncompliance with Commission regulation 807 KAR 5:120 Section 2(6). KU cured the filing deficiency on December 6, 2010, and its application was accepted for filing as of that date.

PROCEDURAL HISTORY

The Electric Plant Board of the City of Paducah ("Paducah") filed a motion for full intervention. Paducah's motion stated that it supported the project and that it was not requesting a public hearing. The Commission granted Paducah's motion to intervene, and Commission staff subsequently issued two requests for information to KU. Responses to the information requests were filed by KU, and a motion for an informal conference was also filed by KU.

In compliance with KRS 278.020(8) and 807 KAR 5:120 Section 2, KU gave notice of its application by newspaper publication and by mail to each property owner whose property the proposed transmission line right-of-way is proposed to cross. No comments have been filed with the Commission on this application, no one has

requested a local public hearing, and the parties have not requested an evidentiary hearing.

### DISCUSSION

KU proposes to construct a 1.69 mile, 161 kV transmission line in McCracken County, Kentucky running from KU's Grahamville Substation to Electric Energy, Inc's transmission line near the Department of Energy ("DOE") Substation. The proposed transmission facilities are necessary for KU to fulfill a long-term request for firm transmission service by the Kentucky Municipal Power Authority, which is purchasing power and transmission service as an agent for Paducah and the Princeton Electric Plant Board ("Princeton"), and to provide additional reliability to KU's transmission network in western Kentucky.

The cost of the transmission facilities is estimated to be \$15.2 million, with \$3.7 million being paid directly by Paducah and Princeton in accordance with Federal Energy Regulatory Commission ("FERC") cost allocation rules. The remaining \$11.5 million will be paid for by KU, using internally generated funds. No debt will be issued by KU in conjunction with this construction. KU's cost for the new facilities will be recovered by increasing the rates in its Open Access Transmission Tariff ("OATT"), which is subject to FERC's jurisdiction. KU's OATT is charged to all users of KU's transmission system, including KU itself, for service to its retail customers, based upon the quantity of power transmitted for each customer.

Since 1963, Paducah and Princeton had been wholesale power customers of the Tennessee Valley Authority ("TVA"), with their loads being served through TVA transmission facilities. Due to concerns about TVA power prices, both municipal

systems terminated their TVA contracts, effective last year, and they requested transmission service from KU for power generated in the Midwest.

The initial request for transmission service by Paducah and Princeton was referred to KU's Independent Transmission Organization, the Southwest Power Pool ("SPP"), to determine whether the KU system could accommodate the additional load. The combined peak summer load of the two municipals is approximately 204 MW. SPP's study found that this load increase would result in low bus voltage and overloading of KU's Grahamville to DOE (C33) 161 kV transmission line by exceeding its current thermal ratings limit.

KU's load flow analysis and system impact study report demonstrate that the proposed 161 kV line is needed to accommodate the additional transmission load of Paducah and Princeton. According to KU's analysis, a contingency outage of the Grahamville to DOE line during the summer could cause overloads on the Livingston to South Paducah 161 kV line that exceed its current summer thermal ratings limit of 224 MVA. Such an outage would also result in severe low voltages in KU's service territory and, in addition, the 69 kV system that is served by the South Paducah to Grahamville 161 kV line would experience severe voltage dip-to levels of around 85 percent which could result in motor-locking at large industrial facilities and could lead to voltage collapse.

KU's study demonstrates that this overload and low voltage problem could occur in the western Kentucky transmission network as soon as 2012. KU's application and supporting documentation demonstrate that the proposed transmission line and the associated system improvements will provide the necessary electric power support for

the cities of Paducah and Princeton and will improve KU's transmission reliability in the area for the next 15 to 20 years.

Pursuant to KRS 278.020, Section 8, the Commission hired an independent engineering firm, Patterson and Dewar Engineers, Inc. ("P&D"), to perform a focused review of KU's application. The review by P&D, which was filed in the record of this case, agreed with KU's analysis that there are only two feasible alternatives for locating the transmission line. P&D found that KU utilized well-accepted and proven methodologies in selecting its preferred line route, which is the one KU proposed in this case. The route selected by KU minimizes costs, environmental concerns and public impact. The P&D review clearly supports KU's need for the proposed transmission line to provide reliable transmission service to Paducah and Princeton.

#### FINDINGS

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that KU has a need for the proposed 1.69 mile, 161 kV transmission line and other improvements in McCracken County, Kentucky. KU's need is demonstrated by the evidence filed in support of its application, as well as by the review performed by P&D. We also find that KU engaged in an adequate review of alternative transmission line routes.

The Commission further finds that the proposed transmission line 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 KU should be granted a CPCN for a 1.69 mile, 161 kV transmission line and other improvements in McCracken County, Kentucky.

The Commission understands the need, in limited circumstances, to give a utility flexibility to address last-minute or unanticipated issues regarding the construction of an electric transmission line. Therefore, the Commission will grant KU's request to make modifications to the proposed route of the line, but only to the extent that: (1) the approved centerline does not move more than 500 feet in either direction from the proposed route (i.e., within a 1,000-foot corridor); (2) the move does not shift the line or its right-of-way onto the property of a property owner not identified in KU's application; and (3) the property owner who is subject to the move agrees in writing to the requested move. Any changes in the route of the line that do not meet all three of these requirements, including changes required by another agency, will need prior Commission approval, and KU will need to file an amended CPCN application for review and approval of such changes by the Commission. So that the Commission will have an accurate record of the precise route of the transmission line, KU should file a survey of the final location of the line after all such moves are completed and before construction begins.

Finally, the Commission finds that, since the evidentiary record in this case fully supports the relief requested, there is no need to schedule the informal conference requested by KU.

IT IS THEREFORE ORDERED that:

1. KU is granted a CPCN to construct and operate the proposed 1.69 mile, 161 kV transmission line in McCracken County, Kentucky, as set forth in its application.
2. Before construction begins, KU shall file a survey of the final location of the transmission line after any changes to the route that are within the scope of the authority set forth in the findings above.

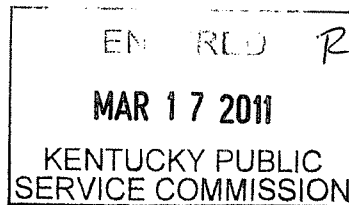
3. Any changes in the location of the route that are not within the authority set forth in the findings above shall be filed by KU in an amended CPCN application for Commission review and approval.

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

5. KU's motion for an informal conference is denied as moot.

6. Any documents filed in the future pursuant to ordering paragraphs 2 and 4 herein shall reference this case number and shall be retained in the utility's general correspondence file.

By the Commission



ATTEST:

*Raeon D. Greenwell Jr.*  
Executive Director

Lonnie E Bellar  
E.ON U.S. LLC  
220 West Main Street  
Louisville, KENTUCKY 40202

Rick LoveKamp  
Kentucky Utilities Company  
220 W. Main Street  
P. O. Box 32010  
Louisville, KY 40202

Honorable G. Kent Price  
Attorney at Law  
McMurry & Livingston, PLLC  
333 Broadway, 7th Floor  
P.O. Box 1700  
Paducah, KENTUCKY 42002-1700