

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)	
COOPERATIVE, INC. FOR A DECLARATORY)	CASE NO.
ORDER CONCERNING A TRANSMISSION)	2017-00100
LINE RELOCATION PROJECT)	

ORDER

On February 23, 2017, East Kentucky Power Cooperative, Inc. ("EKPC"), filed an application requesting that the Commission enter an Order, pursuant to KRS 278.020 and 807 KAR 5:001, Sections 15 and 19, declaring that a transmission line relocation project ("Project") is a replacement and upgrade of an existing transmission line, and, therefore, that no Certificate of Public Convenience and Necessity ("CPCN") is required for the Project. EKPC requested a Commission decision before May 31, 2017.

By Order entered March 29, 2017, the Commission issued a procedural schedule that established a deadline for requests to intervene, provided for discovery, and directed EKPC to file a statement on or before May 1, 2017, that either requested a hearing or submitted the case for a decision based on the record. There are no intervenors in this matter. Staff issued and EKPC responded to one round of discovery. EKPC filed a motion on April 28, 2017, requesting that this matter be submitted for a decision based on the evidentiary record without the need for a formal hearing. The Commission finds that EKPC's motion to submit the matter for a decision based upon the existing evidentiary record should be granted, given that discovery has been completed and there are no outstanding factual issues to be addressed at a formal evidentiary hearing. Accordingly,

the matter now stands submitted to the Commission for a decision based upon the existing evidentiary record

BACKGROUND

EKPC is an electric generation and transmission cooperative that provides wholesale electricity to its 16 member-owner distribution cooperatives.¹ It owns and operates 2,955 megawatts (“MW”) of net summer generating capability and 3,257 MW of net winter generating capability consisting of coal-fired, natural gas-fired, and landfill gas-to-energy facilities owned and operated by EKPC, and hydropower purchased from the Southeastern Power Administration.² EKPC owns 2,940 circuit miles of high-voltage transmission lines in various voltages, and substations necessary to support the transmission lines.³ EKPC’s transmission system is operated by PJM Interconnection, LLC (“PJM”), a regional electric grid and market operator; EKPC has been a fully integrated member of PJM since June 1, 2013.⁴

In order to identify transmission grid vulnerabilities within its footprint, PJM conducts annual studies to assess the strength and resiliency of the transmission systems for which it has planning coordination and operational responsibility, which includes the EKPC transmission system. The purpose of the annual study is to identify the likely effects of various contingencies involving the loss of transmission infrastructure.⁵ As a

¹ Application, paragraph 5.

² *Id.* at paragraph 6.

³ *Id.* at paragraph 7.

⁴ *Id.*

⁵ *Id.* at paragraph 8.

result of the 2014 Regional Transmission Expansion Plan studies, PJM and EKPC identified a transmission contingency on a portion of EKPC's transmission system that would result if one or more physical double-circuit transmission structures were lost on a key portion of a transmission right-of-way.⁶ If there were a simultaneous outage of the double-circuit structures that support identified 138-kilovolt ("kV") lines, voltage at a certain EKPC substation would drop 10.8 percent from 139.44 kV prior to the outage to 124.48 kV after an outage.⁷ EKPC states that the magnitude of this voltage drop violates PJM's maximum voltage drop criterion of 10 percent for a contingency event.⁸ EKPC further states that the post-contingency voltage of 124.48 kV would be only marginally above PJM's minimum voltage requirement of 124.2 kV for a 138-kV system.⁹ EKPC also states that PJM determined that the Project is the most efficient solution to address the contingency conditions and directed EKPC to complete the Project no later than June 1, 2019.¹⁰

In support of its request for a Commission decision before May 31, 2017, EKPC explains that there is a planned long-term transmission outage to rebuild a transmission line in the immediate vicinity of the Project that will begin in 2018, and that to avoid

⁶ *Id.*

⁷ *Id.* at paragraph 10. By Order dated March 23, 2017, the Commission granted EKPC's request for confidential portions of the application that identify specific segments of the transmission lines that EKPC proposes to relocate. Because the designated materials contain information about critical energy infrastructure, the Commission found that the designated materials are generally recognized as confidential on the grounds of public safety and are exempted from public disclosure pursuant to KRS 61.878(1)(m)(1).

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.* at paragraph 11.

overlapping outages, it must schedule the Project for 2017.¹¹ EKPC further explains that scheduling this Project for 2017 provides an additional window of time to complete the Project in 2018 or spring of 2019, prior to the June 1, 2019 deadline, in the event that system conditions prevent EKPC from taking necessary outages in 2017.¹²

PROPOSED PROJECT

To mitigate potential adverse effects of the conditions identified by PJM that could impact the transmission grid, EKPC proposes to relocate a 2.16-mile section of a 138-kV electric transmission line from one set of existing structures to an adjacent set of existing structures. If the Commission enters an Order on or before May 31, 2017, declaring that the Project does not require a CPCN, EKPC plans to begin construction on October 2, 2017, and complete the Project by November 24, 2017.¹³ Based on an estimated cost of \$750,000, EKPC states that its net utility plant will increase by 0.03 percent as a result of the Project.¹⁴

As part of the Project, EKPC will install a new conductor for one of the transmission lines on an existing double-circuit structure.¹⁵ The new conductor is “slightly” larger than the current conductor and will have the capacity to carry an electric current approximately 11 percent greater than the capacity of the existing transmission line.¹⁶ Although the new

¹¹ EKPC’s Response to Commission Staff’s First Request for Information (“Response to Staff’s First Request”), Item 4.

¹² *Id.*

¹³ *Id.* at Item 5.

¹⁴ Application at paragraph 12.

¹⁵ *Id.*

¹⁶ *Id.* at paragraph 20.

conductor will be marginally larger, EKPC states that no change will be made to the voltage or delivery points on the transmission line.¹⁷ The new conductor will operate at the same voltage and will terminate at the same points as the existing conductor.¹⁸ The existing conductor that will be replaced will be de-energized and left in place to provide physical support for the existing structure on which it is located.¹⁹

EKPC will construct two new structures to accommodate the tie-in of the new conductor into the existing line.²⁰ EKPC states that it will not have to acquire any new rights-of-way or expand current easements to accommodate the two new structures.²¹ The Project affects 13 parcels of land, four of which are owned by EKPC. One of the new structures will be constructed on property owned by EKPC; EKPC will negotiate with the property owner of the parcel where the other new structure will be constructed on an existing easement.²²

EKPC estimates that the capital cost for the Project is \$750,000.²³ Under PJM's methodology, the cost of the Project will be allocated 100 percent to the EKPC transmission zone, with transmission owners allocated their portion of the costs in

¹⁷ *Id.* at paragraph 12.

¹⁸ *Id.* at paragraph 19.

¹⁹ *Id.* at paragraph 12.

²⁰ *Id.*

²¹ *Id.*; Response to Staff's First Request, Item 1.b.

²² Response to Staff's First Request, Item 1.b.

²³ Application at paragraph 13. In the Response to Staff's First Request, Item 2.a., EKPC stated that the cost break out is: \$380,000 for material; \$350,000 for labor; and \$20,000 for overheads and miscellaneous items.

proportion to their load.²⁴ Under this methodology, EKPC will be allocated 93 percent of the costs, because 93 percent of the load in the EKPC transmission zone is EKPC's native load.²⁵ Kentucky Utilities Company (6 percent) and Duke Energy Kentucky, Inc./Duke Energy Ohio, Inc. (1 percent) will be allocated the remaining 7 percent of the costs.²⁶ EKPC states that the Project's costs will be recovered in its transmission rate base.²⁷

PROPOSED FINANCING

EKPC states that it plans to finance the Project through general funds initially, but will include the Project when it next applies for low-interest financing from the United States Department of Agriculture Rural Utilities Service ("RUS"). EKPC expects to file its next RUS transmission loan application in late 2017 or early 2018.²⁸ EKPC asserts that its operating revenue and net revenue will not be materially affected by the Project and that its financial condition will not be materially changed.

DISCUSSION

KRS 278.020(1) requires a utility to obtain a CPCN prior to constructing any new facility that is intended to furnish regulated utility services to the public. Although KRS 278.020(1) provides an exemption from the CPCN requirement if the new facility is an ordinary extension of existing systems in the usual course of business, KRS 278.020(2) provides that construction of an electric transmission line of 138 kV or more and longer than 5,280 feet in length shall not be considered an ordinary extension. However, KRS

²⁴ Response to Staff's First Request, Item 2.b.

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.* at Item 3.

278.020(2) also sets forth three exceptions that define certain electric transmission line construction projects as ordinary extensions of an existing system that do not require a CPCN:

- (a) The replacement or upgrading of any existing electric transmission line; or
- (b) The relocation of any existing electric transmission line to accommodate construction or expansion of a roadway or other transportation infrastructure; or
- (c) An electric transmission line that is constructed solely to serve a single customer and that will pass over no property other than that owned by the customer to be served.

In this matter, EKPC asserts that, although the Project involves the installation of an electric transmission line of 138 kV or more and that is more than 5,280 feet in length, the Project falls within one of the exceptions set forth in KRS 278.020(2), and thus a CPCN is not required. Specifically, EKPC contends that a CPCN is not required for the Project pursuant to KRS 278.020(2)(a) because the Project is both a replacement and an upgrade of the existing transmission line. EKPC acknowledges that the exceptions to the CPCN requirement set forth under KRS 278.020(2)(b) and (c) do not apply to the Project because the proposed Project does not involve the relocation of a transmission line to accommodate transportation infrastructure, and because the proposed Project will serve more than one customer, and the relocated transmission line will pass over several property owners' properties.

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that the Project as described herein is an ordinary extension of an electric transmission line in the usual course of business, and therefore exempt from the requirements of a CPCN pursuant to KRS 278.020(2)(a). The Commission further finds that the requirements for an ordinary extension of an electric transmission line under KRS

278.020(2)(a) have been satisfied because the Project is both a replacement and an upgrade of an existing electric transmission line. As set forth in the case record, the Project is proposed to address a contingency identified by PJM that could adversely affect the bulk power system within PJM's footprint. The Project consists of the installation of a new conductor that is a replacement for an existing conductor. The replacement conductor is similar to the existing conductor. Although the new conductor is slightly larger than the existing conductor, the replacement conductor will operate at the same voltage and will transmit a similar amount of power as the existing conductor; will terminate at the same points on the same substation equipment as the existing conductor; and will take and deliver energy at the same points as the existing conductor. Additionally, the existing right-of-way will not be enlarged, and no new right-of-way will be required due to the installation of the replacement conductor.

Also, as supported by the case record, the Project is an upgrade of an existing transmission line. The new conductor to be installed as part of the Project has an 11 percent higher capacity to carry an electric current than the existing conductor and will balance the mechanical load upon the structure currently supporting the transmission line. Further, by relocating the transmission line to an existing set of adjacent double-circuit structures, the Project is an upgrade because it will improve system reliability by diminishing risk to the transmission grid from identified contingencies.

For the reasons set forth above, the Commission finds that the Project is both a replacement and an upgrade of an electric transmission line, and therefore does not require a CPCN because it falls within the statutory requirement for an ordinary extension of an existing system, pursuant to KRS 278.020(2)(a).

IT IS THEREFORE ORDERED that:

1. The Project as proposed and discussed herein is properly classified as an ordinary extension of an existing system in the usual course of business, and, pursuant to KRS 278.020(2)(a), a CPCN is not required for the proposed construction.

2. EKPC's motion to submit the case for a decision based upon the existing record, is granted.

3. EKPC shall file a notice setting forth the date the Project was completed within 20 days of completing the project.

4. EKPC shall file "as-built" drawings or maps within 60 days of the completion of the construction of the Project.

5. Any documents filed in the future pursuant to ordering paragraphs 3 and 4 herein shall reference this case number and shall be retained in the utility's general correspondence file.

6. The Executive Director is delegated authority to grant reasonable extension of time for the filing of any documents required by ordering paragraph 3 of this Order upon EKPC's showing of good cause.

By the Commission

ENTERED
MAY 22 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


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