

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY)	
POWER COMPANY FOR A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY TO)	CASE NO.
CONSTRUCT A 138 KV TRANSMISSION LINE)	2020-00062
AND ASSOCIATED FACILITIES IN PIKE AND)	
FLOYD COUNTIES, KENTUCKY)	

ORDER

This matter arises upon rehearing of a Commission Order. By Order entered February 3, 2021 (Rehearing Order), the Commission granted, in part, Kentucky Power Company's (Kentucky Power) motion for rehearing of certain issues in the December 29, 2020 Order in this matter (Final Order).¹ Subsequently, Kentucky Power filed written testimony,² responded to two data requests,³ and waived its right to a hearing and requested that this matter be decided on the existing record.⁴ There are no intervenors in this proceeding, and this matter now stands submitted for a decision.

BACKGROUND

¹ Case No. 2020-00062, *Electronic Application of Kentucky Power company for a Certificate of Public Convenience and Necessity to Construct a 138 KV Transmission Line and Associated Facilities in Pike and Floyd Counties, Kentucky* (Ky. PSC Dec. 29, 2020).

² Supplemental Testimony of Koehler (filed Feb. 18, 2021) and Supplemental Testimony of West (filed Feb. 18, 2021).

³ Response to Commission Staff's First Request for Information on Rehearing (Response to Staff's First Request on Rehearing) (filed Mar. 18, 2021), and Response to Commission Staff's Second Request for Information on Rehearing (Response to Staff's Second Request on Rehearing) (filed Apr. 1, 2021).

⁴ Motion to Submit on the Record (filed Apr. 9, 2021).

Kentucky Power's application for a CPCN filed on September 3, 2020, sought the Commission's authorization for (1) the construction of approximately five miles of new double-circuit 138 kiloVolt (kV) transmission line in Floyd and Pike counties, Kentucky (Kewanee 138 kV Transmission Line Extension); (2) the construction of portions of a new 138 kV substation (Kewanee 138 kV Substation) to replace the existing Fords Branch 46kV Substation; and (3) the retirement of the existing Fords Branch 46 kV Substation (collectively, the Kewanee-Enterprise Park 138 kV Transmission Project).⁵ Kentucky Power explained that it planned to construct the proposed substation, including the installation of (1) one 138/34.5 kV transformer; (2) one 138/12 kV transformer (30 MVA); (3) standard left and right hand rural distribution structures with two distribution feeder positions in each bay; and (4) a pre-fabricated drop-in control module building.⁶ Kentucky Power indicated it would own and operate these components of the substation.

In its application, Kentucky Power also indicated that AEP Kentucky Transmission Company, Inc. (Kentucky Transco) would construct and own other components of the Kewanee 138 kV Substation, namely five 138 kV circuit breakers, four of which are to be arranged in a four breaker ring bus configuration, and the fifth dedicated to the capacitor bank, and a 28.8 MVAR capacitor bank.⁷ Kentucky Power expressly confirmed it was not seeking a CPCN for the components of the project it anticipated Kentucky Transco would construct.⁸

⁵ Application at 1.

⁶ *Id.* at 10.

⁷ *Id.*, Appendix, Direct Testimony of Brian West (West Testimony) at 4-5.

⁸ *Id.*

The Final Order approved the proposed Kewanee-Enterprise Park 138 kV Transmission Project,⁹ and granted Kentucky Power the CPCN for which it had applied, which did not include the capacitor bank or the circuit breaker.

Kentucky Power's first request on rehearing was that the Commission modify the CPCN granted in the Final Order to authorize Kentucky Power to construct those facilities that Kentucky Power originally anticipated Kentucky Transco would construct, own, and maintain.¹⁰ Kentucky Power stated it also sought rehearing to request that the Commission eliminate, in light of Kentucky Power's first rehearing request, or clarify certain aspects of the Final Order that Kentucky Power asserted either went beyond the scope of Kentucky Power's application in this proceeding, or which appeared to address subject matter outside of the Commission's jurisdiction.¹¹ The Rehearing Order granted Kentucky Power's motion for rehearing to request that the Commission modify the CPCN, and deferred a decision on all other issues raised by Kentucky Power in its motion, pending the Commission's decision regarding the reasonableness of modifying the CPCN.

DISCUSSION AND FINDINGS

In the Final Order, the Commission found that the Kewanee-Enterprise Park 138 kV Transmission Project, as presented by Kentucky Power, was needed in order for Kentucky Power to continue fulfilling its statutory requirement under KRS 278.030(2) "to furnish adequate, efficient and reasonable service." The Commission also found that the

⁹ Final Order at 28.

¹⁰ Motion for Rehearing (filed Jan. 18, 2021) at 1.

¹¹ *Id.*

project did not result in wasteful duplication, and that Kentucky Power had explored all reasonable alternative solutions to remedy the conditions giving rise to the need for the project.¹² To be granted a CPCN for the components of the Kewanee 138 kV Substation it now proposes to install, own, maintain, and operate for the benefit of its customers, Kentucky Power must show a need for the five 138 kV circuit breakers and the 28.8 MVAR capacitor bank from the standpoint of its service requirements, and show that the proposed construction will not result in the wasteful duplication of facilities.¹³ The Commission must now determine whether the five circuit breakers (four in a ring bus configuration and one protecting the capacitor bank) and the 28.8 MVAR capacitor bank to be installed in the Kewanee Substation are needed to operate the substation and will not result in wasteful duplication.

"Need" requires:

[A] showing of a substantial inadequacy of existing service, involving a consumer market sufficiently large to make it economically feasible for the new system or facility to be constructed or operated.

[T]he inadequacy must be due either to a substantial deficiency of service facilities, beyond what could be supplied by normal improvements in the ordinary course of business; or to indifference, poor management or disregard of the rights of consumers, persisting over such a period of time as to establish an inability or unwillingness to render adequate service.¹⁴

"Wasteful duplication" is defined as "an excess of capacity over need" and "an excessive investment in relation to productivity or efficiency, and an unnecessary multiplicity of

¹² Final Order at 24

¹³ *Kentucky Utilities Company v. Public Service Commission*, 252 S.W.2d 885 (Ky. 1952).

¹⁴ *Id.* at 890.

physical properties.”¹⁵ To demonstrate that a proposed facility does not result in wasteful duplication, the Commission has held that the applicant must demonstrate that a thorough review of all reasonable alternatives has been performed.¹⁶ Selection of a proposal that ultimately costs more than an alternative does not necessarily result in wasteful duplication.¹⁷ All relevant factors must be balanced.¹⁸

In support of its request for a CPCN for the substation components, Kentucky Power states that the 28.8 MVAR capacitor bank is needed to help support 138 kV voltages in the area after the load is moved from the 46 kV network to the 138 kV network.¹⁹ Further, Kentucky Power states that by installing a capacitor bank at Kewanee Substation, the voltage violations Kentucky Power experienced on its existing 46 kV Pikeville area subtransmission network are mitigated by injecting reactive power at the substation, keeping the voltage above the low voltage criteria threshold.²⁰ Additionally, Kentucky Power explains that the function of a circuit breaker is to interrupt the flow of power when certain electrical problems are detected and thereby limit damage to equipment.²¹ Kentucky Power maintains that installing circuit breakers in a four ring bus

¹⁵ *Id.*

¹⁶ Case No. 2005-00142, *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for the Construction of Transmission Facilities in Jefferson, Bullitt, Meade, and Hardin Counties, Kentucky* (Ky. PSC Sept. 8, 2005).

¹⁷ See *Kentucky Utilities Co. v. Pub. Serv. Comm'n*, 390 S.W. 2d 168, 175 (Ky. 1965). See also Case No. 2005-00089, *The Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity to Construct a 138 kV Electric Transmission Line in Rowan County, Kentucky* (Ky. PSC Aug. 19, 2005).

¹⁸ Case No. 2005-00089, *East Kentucky Power Cooperative, Inc.* (Ky. PSC Aug. 19, 2005), final Order at 6.

¹⁹ Supplemental Testimony of Koehler (filed Feb. 18, 2021) at 4.

²⁰ *Id.* at 2-4.

²¹ *Id.* at 4.

configuration and dedicating one circuit breaker to protecting the capacitor bank at the Kewanee Substation will serve to separate individual station elements into their own isolation zones, thereby allowing other elements at the station to remain in service under fault conditions.²² Kentucky Power argues separating the zones and protection devices serves to limit the operation of individual breakers and helps preserve their useful life, because when a breaker operates for a fault, the expected life of that breaker is reduced.²³ Kentucky Power maintains that without proper sectionalizing, a single component could result in an outage of the whole station. Therefore, Kentucky Power argues that sectionalizing the circuit breakers in this fashion improves the reliability of individual elements as well as the reliability of the substation overall.²⁴

Kentucky Power states it did consider other alternatives to connect the substation to the transmission 138 kV network. Kentucky Power argues that alternatives, such as a straight bus, would be inadequate because they would expose customers to additional outages.²⁵ Kentucky Power maintains that the capacitor bank and circuit breakers configured as described are an integral part of the overall project approved by the Commission.²⁶ Kentucky Power states these components are required for the Kewanee-Enterprise Park 138 kV Transmission Project to operate as intended.²⁷

²² *Id.*

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.* at 5.

²⁶ *Id.* at 5.

²⁷ *Id.*

Having reviewed the evidence of record and being otherwise sufficiently advised, the Commission finds that the capacitor bank and circuit breakers as described by Kentucky Power are necessary, reasonable, and will not result in wasteful duplication of facilities, and that approval thereof should be granted.

Regarding Kentucky Power's request to amend the Final Order, the Commission conditioned its approval of the application in the Final Order to ensure that Kentucky Power retains sufficient control of its transmission system to continue to provide adequate service. In the Final Order, the Commission established the following conditions regarding ownership of the transmission assets for which the Commission granted a CPCN: (1) Kentucky Power could not transfer the ownership of any portion of the project or related appurtenances to Kentucky Transco, or any other entity, and (2) Kentucky Transco could not replace or upgrade any existing electric line and related appurtenances currently owned by Kentucky Power without prior Commission Approval.²⁸ The Commission remains concerned that Kentucky Power may be allowing Kentucky Transco to obtain actual ownership and control of Kentucky Power's transmission system to such a degree that Kentucky Power's ability to continue providing adequate, efficient and reasonable service could become impaired.²⁹ In the short period between 2015 and the end of 2019, Kentucky Power acquiesced in Kentucky Transco owning and controlling more than \$100,000,000 in transmission assets that Kentucky Power utilizes to serve its

²⁸ Final Order at 30, 33.

²⁹ As addressed in the Final Order, the risk of ceding *actual* ownership and control to Kentucky Power's non-jurisdictional affiliates is distinct from the risk of ceding *functional* control of Kentucky Power's transmission assets by PJM Interconnection, LLC.

customers.³⁰ Kentucky Transco is not a utility under Kentucky law. It is not subject to the Commission's jurisdiction. Kentucky Power has no authority over Kentucky Transco. Should the interests of Kentucky Transco diverge from the interests of Kentucky Power, this presents a risk to Kentucky Power's customers. The Commission must take steps to mitigate such risk because we are "charged with responsibility, and vested with the power, to see that the service of public utilities is adequate. . . ." ³¹

Based upon the above discussion and being otherwise sufficiently advised, the Commission finds that its Final Order should be amended to reflect that Kentucky Power should not transfer the ownership of any portion of the project for which this CPCN is granted from Kentucky Power to Kentucky Transco without prior Commission approval, nor should Kentucky Power permit Kentucky Transco to replace or upgrade any existing electric line and related appurtenances currently owned by Kentucky Power without prior Commission approval. By requiring Kentucky Power to obtain prior Commission approval, we can ensure that our statutory duty to ensure safe, adequate, and reasonable utility service is performed.

IT IS HEREBY ORDERED that:

1. Kentucky Power is granted a CPCN to construct, own, and operate the circuit breakers and capacitor bank as described in its application for the benefit of Kentucky Power's customers.
2. The December 29, 2020 Order is amended to reflect the modifications discussed in this Order.

³⁰ Kentucky Power's Supplemental Response to Staff's First Request (filed Dec. 4, 2020), Attachment 2.

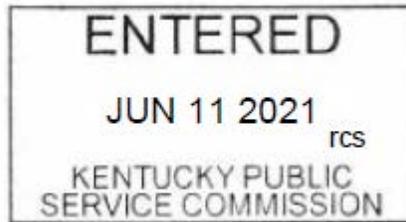
³¹ *Pub. Serv. Comm'n v. Southgate*, 268 S.W. 19, 21 (Ky. 1954).

3. All other provisions in the December 29, 2020 Order shall remain in full force and effect.

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

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By the Commission



ATTEST:


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