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March 28, 2016

## **PSC STAFF OPINION 2016-004A**

Hon. Mark David Goss  
Goss Samford, PLLC  
2365 Harrodsburg Rd.  
Suite B-325  
Lexington, KY 40504

Re: Jackson Purchase Energy Corporation's 2016-2019 Construction Work Plan

Dear Mr. Goss:

On February 22, 2016, Commission Staff issued PSC Staff Opinion 2016-004 regarding Jackson Purchase Energy Corporation's ("Jackson Purchase") 2016-2019 Construction Work Plan ("CWP") wherein Commission Staff determined that none of the projects contained in Jackson Purchase's 2016-2019 CWP required a Certificate of Public Convenience and Necessity ("CPCN") except for the Code 600 projects. Based on the information that had been provided by Jackson Purchase at that time, Staff was unable to conclude whether the Code 600 projects fell within the "ordinary course of business" exemption from the CPCN requirement and requested Jackson Purchase to provide additional information concerning those projects. Staff also requested confirmation on the historical data provided for the Code 606 project involving pole changes and the Code 702 project involving outdoor lights. Lastly, Staff sought an explanation as to why the unit cost for a new outdoor light would be higher than the unit cost to replace an existing outdoor light.

On February 29, 2016, Jackson Purchase submitted a letter providing additional information on the Code 600 projects, which involved miscellaneous distribution equipment and pole changes. In the February 29, 2016 letter, Jackson Purchase explained that it did not provide a detailed breakdown of the Code 600 projects due to the fact that, for purposes of review and consideration by the Rural Utilities Service, a breakdown of such projects for each Code 600 item was not necessary. Jackson Purchase then provided a description of each Code 600 project along with the cost estimates.

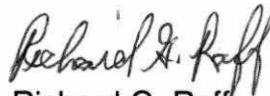
Regarding the historical data for the Code 606 project and the Code 702 project, Jackson Purchase states that the values for Code 702 were inadvertently copied down from Code 606. Jackson Purchase provided the correct historical data for the Code 702 project.

As for the difference between the projected cost to replace an existing outdoor light and the projected cost for a new outdoor light, Jackson Purchase stated that it anticipates filing a new outdoor lighting tariff to transition to LED outdoor lighting fixtures. The cost of changing an existing outdoor light fixture is lower because it would not require changing poles. The cost for a new installation requires a new LED fixture and a new pole, which would be higher than replacing an existing outdoor light fixture.

Staff has reviewed the supplemental information and is of the opinion that the Code 600 projects fall within the "ordinary course of business" exemption and do not need a CPCN. The projects would not materially impact Jackson Purchase's existing financial condition,<sup>1</sup> will not have an immediate impact on Jackson Purchase's rates, and will not result in wasteful duplication of facilities or conflict with the service of other utilities.

This letter represents Commission Staff's interpretation of the law as applied to the facts presented. This Opinion is advisory in nature and not binding on the Commission should the issues herein be formally presented for Commission resolution. Questions concerning this Opinion should be directed to Quang D. Nguyen at (502) 782-2586.

Sincerely,

  
Richard G. Raff  
General Counsel

QN/ph

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<sup>1</sup> As noted in PSC Staff Opinion 2016-004, Jackson Purchase has a net utility plant of approximately \$94,822,086 as of December 31, 2014.

# Goss ■ Samford PLLC



**Mark David Goss**  
mdgoss@gosssamfordlaw.com  
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**RECEIVED**

February 26, 2016

**FEB 29 2016**

Executive Director  
Kentucky Public Service Commission  
P.O. Box 615  
211 Sower Boulevard  
Frankfort, KY 40602

**PUBLIC SERVICE  
COMMISSION**

**Re: Jackson Purchase Energy Corporation – 2016-2019 Construction Work Plan  
Supplemental Information as requested in Staff Opinion 2016-004**

Dear Executive Director:

I have received and reviewed the above-referenced Opinion of Commission Staff dated February 22, 2016, regarding the 2016-2019 Construction Work Plan (“CWP”) of Jackson Purchase Energy Corporation (“Jackson Purchase”). I appreciate your and your staff’s efforts in providing such a thorough and timely response.

Enclosed please find the supplemental information requested on page 3 of the relevant Staff Opinion. I am confident the enclosed information is responsive to the requests and will enable Staff to complete its review of Jackson Purchase’s CWP (specifically with respect to the Code 600 projects and whether those projects fall within the “ordinary course of business” exemption to the applicable CPCN requirements). Ten (10) copies of the requested information are enclosed.

Please do not hesitate to contact me should you desire or require any additional information or documentation.

Best regards,

Mark David Goss

Enclosures

CC: Richard G. Raff (with enclosures)

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Jackson Purchase Energy Corporation (JPEC) has reviewed Commission Staff's opinion of its 2016-2019 Construction Work Plan (CWP). Commission Staff identified the following items for clarification:

- A numerical issue on JPEC's historical data (Table II-E-10) where Code 606 Pole Changes and Code 702 Outdoor Lights had the same numeric values
- A description of Code 600 projects
- An explanation of unit cost differences for Outdoor Lighting Code 702

The following narrative looks at each item and answers Commission Staff's questions.

**Corrected Data for Table II-E-10**

The first item deals with identical values in JPEC's historical data table. Commission Staff found Codes 606 and 702 to have the same values for each year as shown in the original data below.

	2014	2015
<b>Pole Changes - Replacement (606)</b>		
1. Poles Changed	731	1079
2. Cost per Pole Change	\$2,125	\$1,984
3. Cost of Pole Changes	\$1,553,143	\$2,140,750
<b>Outdoor Lights (702)</b>		
1. New Outdoor Lights Added	731	1079
2. Cost per Security Light	\$2,125	\$1,984
3. Cost of Security Lights	\$1,553,143	\$2,140,750

Upon review, the values for Code 702 were inadvertently copied down from Code 606. The following are the correct values for each code.

	2014	2015
<b>Pole Changes - Replacement (606)</b>		
1. Poles Changed	731	1079
2. Cost per Pole Change	\$2,125	\$1,984
3. Cost of Pole Changes	\$1,553,143	\$2,140,750
<b>Outdoor Lights (702)</b>		
1. New Outdoor Lights Added	371	317
2. Cost per Security Light	\$550	\$691
3. Cost of Security Lights	\$204,085	\$218,945

These numbers have been corrected with the above values in JPEC's official CWP documentation.

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**Code 600 Projects – Detailed Information**

The second item Commission Staff asked for is clarification on the breakdown of project codes 600.

As JPEC worked with its Rural Utility Service (RUS) General Field Representative (GFR) in defining each of these project codes, JPEC understood that, as far as RUS was concerned, a breakdown of projects for each code 600 was not necessary. These codes are considered by RUS as miscellaneous distribution equipment and considered ordinary costs in the course of business to maintain adequate service to their members.

The following is a description of each project code 600 with projected breakdown of costs.

**Transformers – RUS Code 601**

- 390 new padmount transformers are projected at a cost of \$1,103,590.
- 1,442 new overhead transformers are projected at a cost of \$1,736,432.88

**Meters – RUS Code 601**

- 1,643 new single-phase AMI meters are projected at a cost of \$267,936.
- 304 new three-phase AMI meters are projected at a cost of \$217,634.

**Service Upgrades – RUS Code 602**

- There are 45 service upgrades projected at a total cost of \$91,355.

**Sectionalizing – RUS Code 603**

Reclosers, fuses and switches are included in this category. A base cost of just over \$101,000 per year over the next four years has been allocated. The total projected cost for sectionalizing is \$405,812.

The following protective devices are recommended for change out based on operational changes that have moved line sections to adjacent substations for reliability or loading issues and has increased the level of available fault current. None of the following devices are part of proposed conversion projects.

- Coleman Rd Feeder 3002: Replace REC\_00000357 70-L with electronic single phase recloser
- Coleman Rd Feeder 3002: Replace REC\_00005572 70-L with electronic single phase recloser
- Coleman Rd Feeder 3002: Replace REC\_00004177 70-L with electronic single phase recloser
- Strawberry Hill Feeder 7705: Replace FUS\_00003923 with three-phase electronic recloser

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The following protective devices are recommended for change out based on loading criteria. None of the following devices are part of proposed conversion projects.

- Culp Feeder 4202: Consider replacing REC\_00000345 25L with 50L
- Grand Rivers Feeder 7605: Consider replacing REC\_00004016 25H with 35H
- Krebs Feeder 5002: Consider replacing REC\_00001964 25H to 35L
- Krebs Feeder 5002: Consider replacing REC\_00003413 35H to 50L
- LaCenter Feeder 2602: Consider replacing 25H with 35H
- Lovelaceville Feeder 4902: Consider replacing 25H to 50H

JPEC plans to replace older hydraulic reclosers as they fail with new electronic reclosers instead of repairing or rebuilding the outdated hydraulic units. JPEC also plans to add to the system new three-phase gang operated switches to help in system sectionalizing for reliability purposes.

**Voltage Regulators – Code 604**

JPEC has identified one project (604-2) that is included in the CWP. The cost of this project is estimated to be \$60,000.

In addition to project 604-2, JPEC plans on phasing out, during the ordinary course of business, 1-2 sets of regulators per year as failures occur instead of repairing or rebuilding these older units. This amounts to 21 new regulators projected to cost \$303,889.

**Pole Replacements – Code 606**

JPEC plans an aggressive program of replacing identified structures throughout the work plan period. There are 3,626 projected pole changes in this CWP; this includes all maintenance and clearance poles. The cost for these poles changes is projected to be \$8,004,522.

**Conductor Replacement – Code 608**

A total of 20 miles of aged conductor replacement is projected in the CWP. The total cost for this replacement is projected to be \$1,627,083.

**Miscellaneous Code 609**

Other customary work that is not included in other Code 600 projects falls under miscellaneous. Examples of this type of work are: adding and replacing anchors and guys, installing secondary underground pedestals, replacing line hardware and primary units, and relocating primary, secondary and meter poles. This miscellaneous work is projected to cost \$1,351,252.

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**Code 702 – Outdoor Lighting**

Lastly, Commission Staff inquired about Outdoor Lighting Code 702 and the difference between the projected replacement cost of \$858 and the projected new cost of \$1,023.

JPEC anticipates filing a new outdoor lighting tariff with the Commission sometime during 2016. The objective of the anticipated tariff would be to transition to LED outdoor lighting fixtures. While JPEC understands and acknowledges that it must continue to install the outdoor lighting fixtures specified in its existing outdoor lighting tariff unless and until the Commission approves a new outdoor lighting tariff, the cost projection contained in JPEC's 2016-2019 CWP is based on Commission approval of the anticipated new tariff. The projected cost reflected in JPEC's CWP is broken into two pieces.

The first piece is the cost of changing an existing outdoor light fixture to an equivalent LED fixture. This process does not require changing poles; therefore the replacement cost is lower. JPEC's estimate is \$858 per change resulting in a total cost of \$2,747,311. This reflects changing 800 fixtures per year.

The second piece is the cost for a new installation that requires a new pole and a new LED fixture. JPEC projects 750 new installs over the CWP at a unit cost of \$1,023 and a total projected cost of \$767,651.

When the costs of the two pieces – (1) fixture replacement on existing pole and (2) installation of new pole and fixture – are added together, they yield the total cost of Code 702: \$3,514,962.