

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTH	)	
KENTUCKY RURAL ELECTRIC COOPERATIVE	)	CASE NO.
CORPORATION FOR A DECLARATORY ORDER	)	2026-00087
REGARDING CONSTRUCTION OF A	)	
WAREHOUSE	)	

ORDER

On April 1, 2026, South Kentucky Rural Electric Cooperative Corporation (South Kentucky RECC), filed an application for a declaratory order pursuant to 807 KAR 5:001, Section 19, KRS 278.020(1)(a)(1), and 807 KAR 5:001, Section 15(3), seeking an “ordinary course of business” exemption from Certificate of Public Convenience and Necessity (CPCN) requirements for replacement of a storage barn with a new warehouse.<sup>1</sup> South Kentucky RECC responded to one set of data requests and this matter stands ready for a decision on the record.

LEGAL STANDARD

Pursuant to 807 KAR 5:001, Section 19(1):

The commission may, upon application by a person substantially affected, issue a declaratory order with respect to the jurisdiction of the commission, the applicability to a person, property, or state of facts of an order or administrative regulation of the commission or provision of KRS Chapter 278, or with respect to the meaning and scope of an order or administrative regulation of the commission or provision of KRS Chapter 278.

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<sup>1</sup> Application at 3.

The CPCN statute, KRS 278.020(1)(a)(1), states:

No person, partnership, public or private corporation, or combination thereof shall commence providing utility service to or for the public or begin the construction of any plant, equipment, property, or facility for furnishing to the public any of the services enumerated in KRS 278.010, except:

...

Ordinary extensions of existing systems in the usual course of business . . . .

807 KAR 5:001, Section 15(3) additionally states:

Extensions in the ordinary course of business. A certificate of public convenience and necessity shall not be required for extensions that do not create wasteful duplication of plant, equipment, property, or facilities, or conflict with the existing certificates or service of other utilities operating in the same area and under the jurisdiction of the commission that are in the general or contiguous area in which the utility renders service, and that do not involve sufficient capital outlay to materially affect the existing financial condition of the utility involved, or will not result in increased charges to its customers.

### BACKGROUND

South Kentucky RECC has been using a tobacco barn in Wayne County as a storage facility and asserted that the barn is in poor condition and is too small for the desired use.<sup>2</sup> South Kentucky RECC sought to demolish the barn and build in its place a 14,000 square foot warehouse with 1,500 square feet of office space.<sup>3</sup>

South Kentucky RECC purchased a 69-acre farm in Pulaski County on July 24, 1961 (Pulaski County Property) and, until 2017, held its Annual Meeting at the location.<sup>4</sup>

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<sup>2</sup> Application at 3.

<sup>3</sup> Application at 3.

<sup>4</sup> Application at 3.

However, after 2017, South Kentucky RECC stated that it has held its Annual Meeting at its headquarters with a virtual option.<sup>5</sup> South Kentucky RECC plans to pay for the warehouse construction project with the proceeds of the sale of the unneeded Pulaski County Property which South Kentucky RECC plans to sell at an auction on June 6, 2026.<sup>6</sup> South Kentucky RECC purchased the Pulaski County Property for \$1.00 and, therefore, argued that it is not required to seek Commission approval for the sale of the Pulaski County Property pursuant to KRS 278.218, as the original book value was less than \$1,000,000.<sup>7</sup> South Kentucky RECC expects to sell the Pulaski County Property for over \$1,000,000.<sup>8</sup> If the proceeds are insufficient for the labor and materials of the new warehouse, South Kentucky RECC plans to use general funds for the remainder.<sup>9</sup> The estimated cost of the warehouse construction is approximately \$1,225,000, and the anticipated cost to demolish the old barn is \$25,000.<sup>10</sup> South Kentucky RECC's plant-in-service is \$226,425,475.<sup>11</sup> South Kentucky RECC does not anticipate operations and maintenance (O&M) cost for the new warehouse to materially increase.<sup>12</sup>

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<sup>5</sup> Application at 3.

<sup>6</sup> Application at 3. Pursuant to KRS 278.216, the Commission must approve certain sales of a utility's assets if the assets have an original book value of \$1,000,000 or more. South Kentucky RECC paid \$1 for the property in 1961. See Application, Exhibit 2.

<sup>7</sup> Application at 3.

<sup>8</sup> Application at 3.

<sup>9</sup> Application at 3.

<sup>10</sup> South Kentucky RECC's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Apr. 28, 2026), Item 1.

<sup>11</sup> South Kentucky RECC's Response to Staff's First Request, Item 2.

<sup>12</sup> Application at 4.

## DISCUSSION AND FINDINGS

First, the proposed project must either (1) not create wasteful duplication of plant, equipment, property, or facilities, or (2) conflict with the existing certificates or service of other utilities operating in the same area and under the jurisdiction of the commission that are in the general or contiguous area in which the utility renders service. The proposed project will not create wasteful duplication as the current warehouse's size and condition no longer meets the needs of the utility; and the replacement of a storage building will not conflict with the existing certificates or service of other utilities.

Second, the utility must establish under Section 15(3) that either (1) the project does not involve sufficient capital outlay to materially affect the existing financial condition of the utility or (2) will not result in increased charges to its customers. No financing costs are expected due to use of property sale proceeds and general funds to pay for the proposed project and no significant O&M increase is expected. Although the proposed project will likely result in charges to customers in the form of increased depreciation expense in a future rate case regardless of the origin of the funding, the proposed project does not involve sufficient capital outlay to materially affect the existing financial condition of the utility. The total estimated project cost is approximately 0.5 percent of the plant-in-service. This will not result in a material rate impact, even in the future, and will not add debt.

In a previous declaratory order case, the Commission determined that expenditures less than one percent of plant-in-service do not involve sufficient capital outlay to materially affect the existing financial condition of the utility for purposes of

807 KAR 5:001, Section 15(3).<sup>13</sup> In that case, the utility sought a declaratory order establishing extension in the ordinary course of business for an office building whose estimated cost represented less than one percent of plant-in-service. Although this would result in comparatively small increases in cost, the utility was not required to establish no rate effect—only no sufficient capital outlay to materially affect its financial condition.

Having reviewed the record and being advised, the Commission finds that South Kentucky RECC's application should be granted.

IT IS THEREFORE ORDERED that:

1. South Kentucky RECC's application for a declaratory order is granted.
2. The demolition of the described storage building and construction of the proposed replacement storage warehouse and office space are an ordinary extension in the usual course of business, and a CPCN, pursuant to KRS 278.020(1), is not required for the project.
3. If the estimated or actual cost of the project increases by 100 percent or more from the estimated \$1,225,000, inclusive of demolition, South Kentucky RECC shall notify the Commission by filing a notice into the case file.
4. This case is closed and removed from the Commission's docket.

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<sup>13</sup> Case No. 2023-00415, *Electronic Application of Kentucky Utilities Company and Louisville Gas and Electric Company for Declaratory Order That the Proposed Construction of Lisle Avenue Operations Center and the Proposed Purchase of an Office Building in Eastern Jefferson County are Ordinary Extension in the Usual Course of Business and Do Not Require a Certificate of Public Convenience and Necessity* (Ky. PSC Apr. 4, 2024), Order at 13.

Entered on this 18th day of May, 2026.

PUBLIC SERVICE COMMISSION



Angie Hatton  
Chair



Mary Pat Regan  
Commissioner



Andrew W. Wood  
Commissioner

ATTEST:



Linda C. Bridwell, PE  
Executive Director

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