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ELECTRONICALLY FILED

Linda C. Bridwell
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

RE: **Case No. 2020-00062** (Post-Case Correspondence File)

Dear Ms. Bridwell:

By this letter, Kentucky Power Company provides the Commission with updates to the estimated in-service date for the Kewanee-Enterprise Park 138 kV Transmission Line Project (“Project”), for which the Commission approved a certificate of convenience and public necessity to construct by its Orders dated December 29, 2020 and June 11, 2021, in the above-referenced case. For the reasons stated below, the Company estimates a 12-18 month, or longer, delay in placing the Project in service due to continued opposition in acquiring right-of-way.

The Company began construction on the Project in August of 2021. Construction of the substation has been completed. The Company still must complete the construction of the transmission lines, the installation of four double circuit structures into the Kewanee station, end-to-end testing, in-service checks, and cutover of distribution circuits out of Kewanee station.

The Company began acquiring property in order to construct the Project in September of 2020, and has kept the Commission apprised of its property acquisition efforts via monthly property acquisition reports filed in the post-case files of this matter. As detailed in the Company’s most recent property acquisition report, filed August 7, 2023, the Company had acquired 22 of the 26 parcels affected by the transmission line or its right-of-way.

The Company was unable to successfully negotiate the purchase of the remaining four parcels, all owned by the Thomas B. Ratliff Trust, and initiated condemnation proceedings in August of 2022.¹ Although the Circuit Court ruled in favor of the Company on these condemnation proceedings, the property owner appealed the Circuit Court’s judgment to the Kentucky Court of Appeals in Case No. 2023-CA-0774 on the grounds of the value awarded by

¹ The Thomas B. Ratliff Trust received proper notice of the Company’s application Case No. 2020-00062 and did not intervene in this matter. *See* Company’s Application at Exhibits 11 and 12.

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the Circuit Court. Due to this appeal, the Company estimates that it could take the Court of Appeals 12-18 months, or longer, to rule on the appeal. As such, until the condemnation proceedings become final and non-appealable, the Company cannot complete construction and place the Project into service.

The Company does anticipate at least some increased Project costs due to this delay. The Company is not able, at this time, to accurately estimate what the amount of that increase may be. However, the Company has taken measures to mitigate cost increases due to this unforeseen Project delay. First, all work orders for this Project have been placed into “suspended” status, and therefore AFUDC amounts are no longer accruing. Labor costs also are anticipated to be minimal due to the Project work orders being placed into suspended status. The Company anticipates that it will incur some laydown yard costs (storage costs) in order to store material remaining to be used on the Project. These costs also will be mitigated because the materials are to be stored in a shared yard that houses multiple projects, and the cost to operate the laydown yard is spread amongst the projects it supports. The most significant potential cost increases that the Company anticipates are costs from potential labor and equipment cost escalation between now and when the Project may be resumed and completed. The Company has no way to accurately estimate what the potential cost escalation amounts may be, but historically over the last three years, annual escalation rates for labor and equipment have been approximately 3-4% and 8%, respectively.

In addition, as stated in the Company’s Application (paragraph 59), the PJM Baseline thermal and voltage violations must be remedied by December 1, 2023. The required in-service dates for PJM Baseline projects (like this Project) are driven by FERC 715 criteria which requires the Transmission Owner to address identified future voltage violations and/or thermal violations. In the case of this Project, not meeting the required in-service date could result in Transmission Operations needing to mitigate real-time system operating conditions that could potentially result in load shedding and/or the requirement of special operational plans to protect the system in the event of contingencies (for example, outages in other transmission lines occurring simultaneously). Thus, the delay in the Project’s in-service date resulting from delay in the condemnation process makes it necessary to coordinate with PJM to establish operational mitigation procedures until the required Project can be constructed and placed in service. These operational procedures increase the risk that under certain conditions Kentucky Power customers may experience temporary outages (also known as shedding load).

The Company has been working and continues to work diligently to complete the Project within the timeline identified by PJM to remedy the identified Baseline thermal and voltage violations. However, unforeseen issues with respect to right-of-way acquisition have delayed this Project. The Company will continue to employ measures to mitigate costs within the Company’s control and coordinate with PJM to establish operational mitigation procedures until the Project can be completed and placed into service.

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The Company will continue to provide monthly property acquisition reports, and will also provide the Commission with additional updates, like this one, regarding the estimated Project in-service date upon any material change.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

STITES & HARBISON PLLC



Katie M. Glass

KMG