

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY)	
UTILITIES COMPANY FOR APPROVAL OF)	CASE NO.
THE TRANSFER OF SUBSTATION)	2020-00210
FACILITIES TO THE CITY OF)	
MADISONVILLE, KENTUCKY)	

ORDER

On July 2, 2020, Kentucky Utilities Company (KU) filed an application requesting approval, pursuant to KRS 278.218 and 807 KAR 5:001, Section 8, of a proposed transfer of certain substation facilities to the city of Madisonville, Kentucky. KU filed responses to one round of discovery from Commission Staff. There are no intervenors to this matter and the case now stands submitted to the Commission for a decision.

In its application, KU states that prior to May 1, 2019, the city of Madisonville was a full requirements wholesale customer of KU. In connection with providing wholesale power to the city of Madisonville, KU owned and operated six substations that supported the city's distribution system. The six substations are identified by KU as the North, East, General Electric, West, Hospital, and McCoy Substations. Included in each substation are transmission assets such as power transformers, structures, switches, and associated equipment. The substations are located on land owned by the city of Madisonville and paid through a direct assignment charge to the city. The original book

value of the six substations total \$1,241,564.96. As of June 30, 2020, the total net book value of the six substations is \$730,667.¹

Since May 1, 2019, the city of Madisonville is a transmission-service only customer of KU, through the city's participation with the Kentucky Municipal Electric Agency. KU states that the city of Madisonville has made an offer to purchase the six substations for \$900,000. KU further states that the transfer is consistent with the public interest because KU has no reason to own and maintain the six substations given that the city of Madisonville is no longer a full requirements customer of KU but only a transmission-service customer.²

KU states that it has determined that the proposed transfer constitutes the sale of an operating system. Accordingly, KU informs that it will record the journal entries consistent with the appropriate Federal Energy Regulatory Commission (FERC) Uniform System of Accounts and will also seek FERC approval for the proposed journal entry.

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that KRS 278.218 requires prior Commission approval for any transfer of utility-owned assets that have an original book value of \$1 million or more, and the assets are to be transferred by the utility for reasons other than obsolescence, or the assets will continue to be used to provide the same or similar service to the utility or its customers. KRS 278.218 further provides that approval of the transfer should be granted if such transfer is determined to be for a proper purpose and is consistent with the public

¹ KU's response to Commission Staff's First Request for Information (Staff's First Request), Item 1.a. (indicating total accumulated depreciation for the six substations as being \$510,898 as of June 30, 2020).

² KU's response to Staff's First Request, Item 2.

interest. Here, in light of the city of Madisonville's status as a transmission-service only customer with KU rather than a full requirements customer and that the transfer will result in a gain to KU, the Commission finds that the proposed transfer is for a proper purpose and is consistent with the public interest. The Commission finds, accordingly, that the transfer should be approved.

IT IS THEREFORE ORDERED that:

1. KU's application requesting approval of the transfer of the six substations as described in its application pursuant to KRS 278.218 is granted.
2. This matter is closed and shall be removed from the Commission's docket.

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By the Commission



ATTEST:



Acting Executive Director

*Honorable Allyson K Sturgeon
Senior Corporate Attorney
LG&E and KU Energy LLC
220 West Main Street
Louisville, KENTUCKY 40202

*Rick LoveKamp
Kentucky Utilities Company
220 W. Main Street
P. O. Box 32010
Louisville, KY 40202

*Robert Conroy
LG&E and KU Energy LLC
220 West Main Street
Louisville, KENTUCKY 40202

*Sara Judd
LG&E and KU Energy LLC
220 West Main Street
Louisville, KENTUCKY 40202

*Kentucky Utilities Company
220 W. Main Street
P. O. Box 32010
Louisville, KY 40232-2010