

# Construction Certification

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# Integration with IRPs

IRPs are to include details of projected major construction projects:

- Location and name
- Type and capacity
- Projected in-service date
- Construction costs
- Operating costs
- Cost of electric production

# Certificate of Public Convenience and Necessity (CPCN)

Requires showing of “need” or “necessity”

- Must demonstrate substantial inadequacy of existing service and sufficient demand to justify construction and operation of new facility
- Inadequacy must be due either to a substantial deficiency of facilities; or inability to render adequate service because of indifference, poor management or disregard of the rights of consumers

# CPCN

“Wasteful duplication” is prohibited

- Defined as “an excess of capacity over need” and “an excessive investment in relation to productivity or efficiency, and an unnecessary multiplicity of physical properties.”
- To demonstrate that a proposed facility does not result in wasteful duplication, the utility must establish that a thorough review of all alternatives has been performed.
- Cost not sole factor in assessing wasteful duplication
- Other balancing factors, such as effectiveness and reliability, must be considered

# CPCN

## Monitoring

- In major construction projects, PSC will closely scrutinize expenditures in subsequent rate case proceedings so that only reasonable costs are recovered through rates
- PSC can require the filing of periodic reports on the status of the approved construction to ensure adequate review of expenditures and prompt action in the event of the incurrence of unreasonable expenditures
- CPCN expires if construction does not begin with one year of issue of all permits

# CPCN Exemption

CPCN is required in all cases except:

- Service line extensions to retail customers
- Ordinary extensions of existing systems in the usual course of business

# CPCN Exemption

Statute exempts “ordinary course of business” from CPCN requirement, but does not define it

PSC developed regulation which defines it as:

- Not creating wasteful duplication
- No conflict with existing facilities of other regulated utilities in the same or adjoining areas
- Does not materially affect financial condition of utility
- Will not lead to rate increase

# CPCN Exemption

- Under this definition, an extension is in the ordinary course of business if it (1) does not result in sufficient capital outlay to materially affect the constructing utility's financial condition or require an increase in the constructing utility's rates; (2) does not conflict with the service of a jurisdictional utility operating within the same area; and (3) does not result in wasteful duplication of plant.