



P.O. Box 18 • 6402 Old Corydon Rd.
Henderson, Kentucky 42419-0018
(800) 844-4832

April 4, 2014

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APR 7 2014

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, KY 40602

Subject: Administrative Case No. 2011-00196

Dear Mr. Derouen:

The accompanying letter / report is provided to serve as the final progress report as required for Kenergy's new Marion District Office CPCN order dated December 19, 2011.

Sincerely,

Kenneth R. Stock
Vice President, Operations



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Subject: Administrative Case No. 2011-00196

Dear Mr. Derouen:

This letter is provided to serve as the final progress report as required for Kenergy's new Marion, Kentucky branch office CPCN order dated December 19, 2011.

Define / Measure / Analyze

On June 2, 2011 Kenergy filed for a Certificate of Public Convenience and Necessity ("CPCN") to construct a district office and service facility in Marion, Kentucky. The new facility replaces an existing branch office in Marion, Kentucky that was originally built in 1954.

Kenergy's Marion District office is staffed with 15 full-time employees who are responsible for maintaining over 1,322 miles of electric distribution line and serving approximately 9,500 members in Livingston, Lyon, Caldwell, Hopkins, Webster, Union, and Crittenden Counties. The total membership served from the Marion district represents approximately 15.5% of Kenergy's total member base.



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The existing facility has a combined square footage of approximately 9,500 square feet spread over 4 different structures. The existing facility has had persistent and chronic water, mildew, and mold problems. It also contains asbestos and is not compliant with the Americans with Disabilities Act. The facility sits on a 1.2 acre site which does not adequately accommodate material or equipment storage or allow for future expansion. Vehicles are parked in the open causing crew inefficiency and safety concerns, especially during loading and inspecting equipment in preparation of field duties.

The limited space, changes in site grade, mobility issues, and extensive refurbishing needs of the existing structures makes this site to be inadequate and not cost effective for renovation.





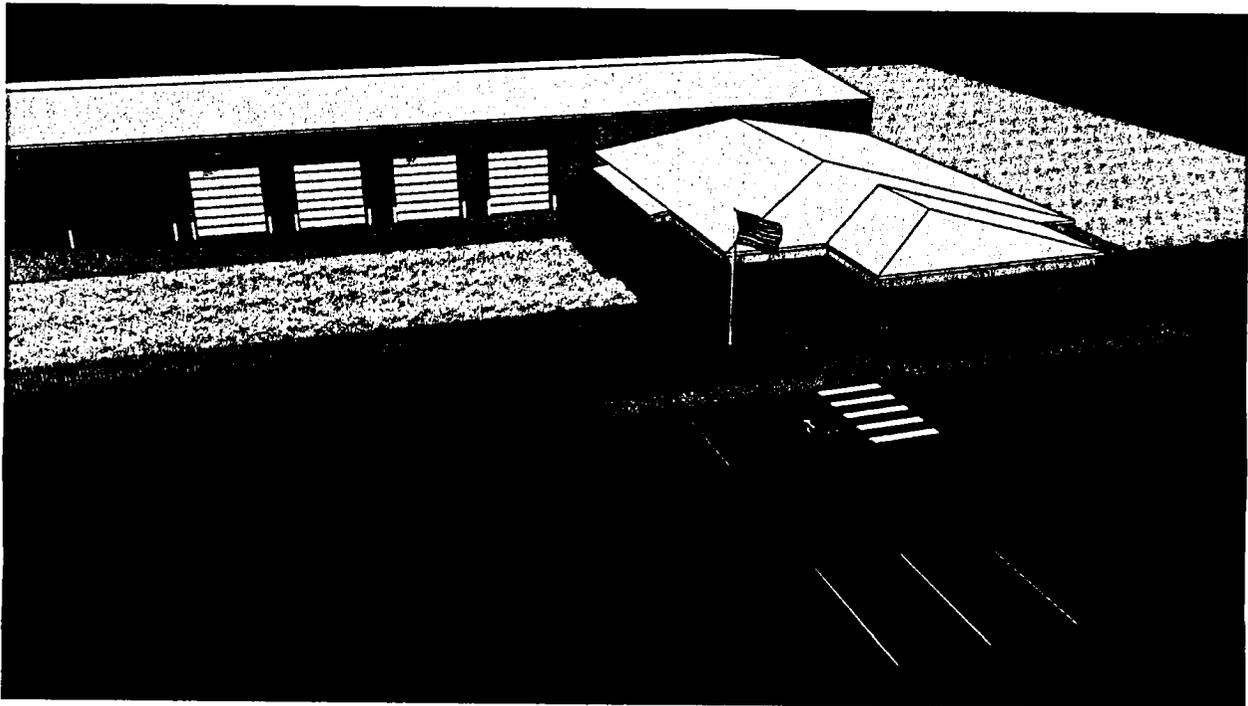
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Identify / Improve

The new Kenergy Marion District office is located on 7.46 acres along Highway 641 just south of Marion, Kentucky. The new location ensures that all Kenergy members reside within approximately 40 miles of a Kenergy office and will enable a continued rapid response of crews in responding to power interruptions and other issues. The new facility is a single structure totaling 24,644 square feet consisting of 5,844 square feet of office space and 18,800 square feet of covered service area. The covered service area is designed to include a materials warehouse, a heated garage and shop, and a covered vehicle parking port. The building has been constructed to meet all applicable building codes using non-hazardous materials and has been designed to meet LEED ("Leadership in Environmental Efficiency Design") standards.





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The final cost of the new facility and site was \$3,147,737.91. This is approximately 8.54% over the revised estimated costs that were shared with the commission as part of a status report letter dated October 23, 2012. The cost overruns were primarily due to the finding of old unreported fuel tanks and a building structure having been buried on the property. The fuel tanks were removed and all surrounding ground was appropriately remediated under the watch and direction of the KY EPA.



With occupancy of the new facility now complete, Kenergy has fully vacated the old facility and has it listed for-sale working with a local realtor.

Kenergy is grateful to the commission for its support of this project. The new facility has already proved valuable in providing needed work space and increasing the work efficiency of crews in this district.

Sincerely,

Kenneth R. Stock
Vice President, Operations