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January 18, 2013

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PUBLIC SERVICE
COMMISSION

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

Subject: Administrative Case No. 2011-00432

Dear Mr. Derouen:

This letter is provided to serve as the annual progress report as required for Kenergy's Cut-out Replacement Program CPCN order dated January 24, 2012.

Kenergy's Cut-out Replacement Program is to replace all of the A. B. Chance manufactured cut-outs that were installed on the Kenergy system between 1989 and 1998. As of the launch of the program, there were 5,962 cut-outs remaining to be replaced. The cost estimate to replace these cut-outs was estimated at \$1,872,068.

To date, Kenergy has replaced 4,285 cut-outs and expended \$1,278,962.16. Kenergy anticipates completing this program within the allotted 1.8 years per the order cited above and within budget estimates. Kenergy will follow-up with a letter to the commission upon program completion.

Sincerely,

A handwritten signature in cursive script that reads "Kenneth R. Stock".

Kenneth R. Stock
VP Operations