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July 31, 2014

RECEIVED

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PUBLIC SERVICE  
COMMISSION

Mr. Jeff Derouen  
Kentucky Public Service Commission  
Post Office Box 615  
211 Sower Boulevard  
Frankfort, Kentucky 40602-0615

RE: Case #2013-00158

Dear Mr. Derouen:

Pursuant to the Settlement Agreement of September 17, 2013 on the above stated case, I have outlined South Kentucky's progress on our vine trimming program through June 30, 2014.

South Kentucky has made significant progress cutting and spraying vine growth from poles and guy wires throughout our system. We contracted with Cumberland Tree Experts to perform the work and are using South Kentucky Personnel to identify the poles to be treated. Once South Kentucky Employees have identified the vines on each circuit our contractors are given detailed maps identifying vine locations. This allows the contractor to concentrate their efforts on herbicide application and vine eradication.

South Kentucky Employees began identifying vines to be sprayed in August, 2013 with actual spraying by the contractors beginning in September, 2013. South Kentucky is utilizing both Foliar and Basil Cell Herbicide. Foliar while less expensive can only be used from late spring to early fall due to it entering and killing the plant through its leaves. Basil cell can be used year round (depending on temperature and weather condition) as it works on the woody portion of the plant.

The expenditures and results of the vine program from its inception in August 2013 through June 30, 2014 are as follows:

South Kentucky employees have inspected and identified vine growth on all distribution circuits. Our contractors have treated 73 distribution circuits covering 2,827.71 miles while cutting and treating 11,818 vines. We have incurred \$391,090.59 in total expenses with \$255,974.30 of this expenditure paid to our right-of-way contractor and the remaining \$135,116.29 being in house expense.

At the beginning of the project we estimated the total contractor cost at \$122,120 per year and for the project to last two and one half years for a total contractor cost of \$305,300. We also estimated South Kentucky labor and transportation costs utilized in identifying the vines would be \$95,025 per year for a total in-house expenditure of \$237,562 and a total project expenditure of \$542,862.

At the current rate it is obvious the contractor cost will exceed the estimated cost; however, we feel the South Kentucky's labor cost will be less than projected, with the overall project exceeding budget. All vines have been spotted so the South Kentucky labor costs should be minimal for the remainder of the project. Also at the current rate we should complete the vine spraying program within the two and ½ year estimated timeline.

We cannot apply herbicide within the Daniel Boone National Forest and these vines must be cut with no herbicide treatment applied.

We will also include vine control in our annual hazardous recognition training for employees.

Sincerely

A handwritten signature in cursive script that reads "Dennis Holt".

Dennis Holt  
Vice President of Engineering and Operations  
South Kentucky RECC  
Post Office Box 910  
Somerset, Kentucky, 42502