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October 25, 2011

Mr. Greg Pauley  
President and Chief Operating Officer  
Kentucky Power Company  
101A Enterprise Drive  
Post Office Box 5190  
Frankfort, Kentucky 40602-7006

re: Vegetation Management Plan

Dear Mr. Pauley:

In its final Order in Case No. 2009-00459, Application of Kentucky Power Company for a General Adjustment of Electric Rates issued on June 28, 2010, the Commission approved a settlement agreement that required Kentucky Power Company ("Kentucky Power") to make certain expenditures for distribution vegetation management with respect to system reliability. Specifically, Kentucky Power was required to spend \$7,237,965 between June 29, 2010 and December 31, 2010. For each succeeding year until its next base rate case, Kentucky Power is required to spend \$10 million in addition to the amount required for the second half of 2010 for a total of \$17,237,965 each year. According to the testimony, these expenditures would allow Kentucky Power to move to a four-year clearing cycle within seven years.

In the order, the Commission stated its appreciation of Kentucky Power's recognition of the need for additional reliability expenditures in its service territory, noting that it was an important factor in its approval of the settlement agreement. The Commission also stated that it would review the annual work plans filed by Kentucky Power and would monitor the field work performed.

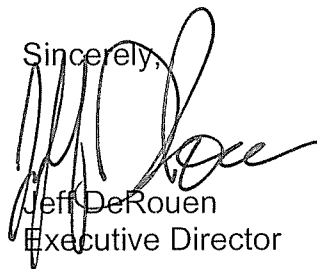
Commission Staff members have reviewed the reports filed by Kentucky Power. In addition, in early September 2011, Commission Staff met with certain Kentucky Power employees and, with the assistance of those employees, performed spot checks of Kentucky Power's clearing efforts relating to the second half of 2010.

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The Commission Staff members do have a few additional questions related to the reports and the work performed by Kentucky Power. I have attached these questions as Attachment 1 for your review and response. I would appreciate your response by November 8, 2011. Following your response, I will schedule a meeting sometime during the week of November 14 to discuss the responses and Kentucky Power's field efforts.

If you have any questions, feel free to contact me or Aaron Greenwell at 502-564-3940.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff DeRouen". The signature is fluid and cursive, with a large initial "J" and "D".

Jeff DeRouen  
Executive Director

AEP - Kentucky Power Co.

Vegetation Management Program

1. Has KY Power developed a 7-year plan that will result in clearing all circuits within the system?
  - a. If yes, how was the 7-year plan developed?
  - b. If no, explain why not.
  - c. Under either scenario, explain how the plan for each year developed and how KY Power expects to insure that all circuits will be cleared within 7-years.
  - d. If not addressed above, explain the role of KY Power's local manager(s), senior management, and AEP corporate staff in the development of the 7-year plan, each annual plan, and the oversight provided.
2. Provide a job description for the Foresters and discuss the role of the Foresters.
3. How many additional Foresters were hired during the second half of 2010? How many total Foresters are employed by KY Power?
4. Provide a discussion of the specific duties of the Foresters, including the following:
  - a. Their role in the development of the 7-year vegetation management plan.
  - b. Their role in the development of the annual vegetation management plan.
  - c. Their involvement in the field in review of the VMP work.
  - d. Their oversight of the contract clearing crews.
5. Explain how KY Power tracks the VMP work.
6. With regard to the annual reporting, address the following:
  - a. Describe the correlation between the "Cost & Units by Circuit," Attachment 1 of the April 1, 2011 report with the 2010 2<sup>nd</sup> Half KY Forestry Plan-Summary included in the May 20, 2010 plan report.
  - b. Identify work that was planned but not completed. If possible, explain why such work was not completed.
  - c. Identify work that was completed but not planned. If possible, explain why such work was completed.
  - d. Identify the number of contract vegetation management crews.
  - e. Provide and discuss the inventory of cycle buster trees.
  - f. Identify and explain the nature of the work referenced as "Misc. VM exp not recorded by circuit."
7. Provide a detailed explanation regarding the manner in which Kentucky Power will address "danger trees" that will require planned outages in order to be trimmed or cleared. Include in the explanation a discussion of an estimate of the number of planned outages required, an estimate of the number of customers to be affected, the manner in which affected customers will be notified, when Kentucky Power expects to institute the planned outages and the expected duration of such outages.

8. Identify the vegetation management clearing resources by service area: Ashland, Hazard, and Pikeville. Identify the number of company crews and the number of contract crews by contract provider. If possible, identify the number of local contractors or contract crews performing work for Kentucky Power in each service area.