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NEWS RELEASE

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PSC Approves Conservation Plan for Duke Energy Kentucky *Residential surcharge declines; home weatherization program added*

FRANKFORT, Ky. (June 8, 2011) – The Kentucky Public Service Commission (PSC) has approved an expansion of residential energy conservation and efficiency programs for Duke Energy Kentucky, Inc.

In an order issued yesterday, the PSC authorized Duke Kentucky to continue 11 existing programs for residential, commercial or industrial customers and to initiate a Residential Smart Saver program in conjunction with the Kentucky Housing Corp. (KHC) The PSC also approved revised surcharges that will result in lower bills for residential customers.

Duke Kentucky's energy conservation and efficiency initiatives are included in the company's demand-side management (DSM) program. In accordance with Kentucky statutes, the DSM program is funded through a surcharge on electric and natural gas bills.

A utility is required to demonstrate that its DSM program is cost-effective. As a whole, residential Smart Saver and the 11 ongoing components of Duke Kentucky's DSM program meet that test, the PSC said.

The Residential Smart Saver program will be implemented in conjunction with KHC's Kentucky Home Performance program. The KHC program is intended to both improve energy efficiency and boost the home improvement market.

Duke Kentucky will offer financial incentives of as much as \$250 to cover a portion of the cost of attic insulation, air sealing, duct sealing and tune-ups for central air conditioning equipment and heat pumps. It also will offer incentives to install high-efficiency heat pumps or air conditioners in both new and existing homes.

The Residential Smart Saver program will carry no maximum or minimum income restrictions. Other elements of Duke Kentucky's DSM program offer energy efficiency assistance to lower-income customers in the form of direct installation, rather than incentives.

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Ongoing components of the Duke Kentucky DSM program include:

- Energy audits
- Energy education
- Energy bill assistance
- Promotion of the use of energy-efficient light bulbs
- Financial incentives to customers who allow Duke Kentucky to remotely turn off air conditioners for brief periods during the summer months
- Financial incentives for commercial and industrial customers to reduce energy usage

Duke Kentucky said in its application that the 11 existing programs reduced usage by nearly 19 million kilowatt-hours last year (a kilowatt-hour is the amount of electricity used by a 100-watt light bulb in 10 hours).

While expanding its DSM program, Duke Kentucky also is lowering the surcharges assessed on residential electric and natural gas bills to better reflect program costs and allocation of those costs among different customer classes.

The surcharge on electric bills will drop from .18 cents per kilowatt-hour to .15 cents per kilowatt-hour. The DSM surcharge on residential natural gas bills will decline by about 58 cents per 1,000 cubic feet, going from 74.8 cents to 16.5 cents.

Duke Energy Kentucky serves about 135,000 electric customers and 95,000 natural gas customers in Boone, Bracken, Campbell, Gallatin, Grant, Kenton and Pendleton counties in northern Kentucky.

The order and related documents can be found on the PSC website, psc.ky.gov. The case number is 2010-00445.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.