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## NEWS RELEASE

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### **PSC Allows Separate Accounting of Duke Energy Hurricane Ike Costs** *Rate recovery decision will come in future case*

FRANKFORT, Ky. (Jan 7, 2009) – The Kentucky Public Service Commission (PSC) today allowed Duke Energy Kentucky Inc. (Duke) to set up a separate account to track power restoration costs and other expenses associated with recovery from the damage caused by Hurricane Ike as it swept through Kentucky on Sept. 14, 2008.

In an order issued today, the PSC said a decision on what portion of those costs may be recovered from ratepayers will be made at the time Duke next applies to the PSC for an adjustment of its base electric rates.

Today's decision allows Duke to create a separate account to track its storm-related costs. The account, known as a regulatory asset, is a tool that allows unusual or one-time costs to be deferred for a period of time for possible future recovery through rates.

While the establishment of a regulatory asset is done in expectation of future cost recovery through rates, it is not a guarantee of recovery. That determination will be made in a rate case based upon the evidence presented in that proceeding.

Duke is authorized to establish a regulatory asset of \$4.92 million, which is the amount the utility requested.

More than two-thirds of Duke's 134,000 customers in Northern Kentucky lost power during the storm. Restoration in the utility's Kentucky and Ohio service areas required the efforts of about 1,200 workers in the field and an additional 450 in call centers, Duke said in its application to the PSC.

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The PSC last month approved requests by Louisville Gas and Electric Co. (LG&E) and Kentucky Utilities Co. (KU) to establish similar regulatory assets for costs associated with Hurricane Ike. Utilities routinely seek establishment of regulatory assets following natural disasters that cause significant damage and outages. KU was authorized to establish such an account following the February 2003 ice storm, while LG&E was granted a regulatory asset after the 1974 tornado in Louisville.

The PSC is reviewing how Duke, LG&E, KU and other affected utilities responded to Hurricane Ike. The review is examining not only the efforts to restore electric power and telephone service, but also preparation for major outages, communication with customers and coordination with local governments.

Utilities have responded to an information request from the PSC. Information has been received from local officials in affected cities and counties. The PSC review also will include comments received from customers during and following the outages.

Following an initial review, the PSC will gather whatever additional evidence it deems necessary. A report will be issued in several months.

Today's order and related documents are available on the PSC Web site, [psc.ky.gov](http://psc.ky.gov). The case number is 2008-00476.

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.