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NEWS RELEASE

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PSC APPROVES ENERGY CONSERVATION PROGRAM FOR EAST KENTUCKY POWER COOPERATIVE *Program cuts usage from air conditioners and water heaters*

FRANKFORT, Ky. (Oct. 2, 2008) – The Kentucky Public Service Commission (PSC) today approved a proposal by East Kentucky Power Cooperative Inc. (EKPC) to cut peak power usage from residential air conditioners and water heaters.

Under the program, customers would allow the utility to remotely control their central air conditioners and water heaters in order to turn them off for short periods when demand for electricity is at a peak. In return, customers who participate in the voluntary program will receive credits on their bills.

EKPC in 2006 established a pilot program for two of the 16 member electric distribution cooperatives to which it supplies wholesale power. Today's PSC order allows the program to be extended to the other 14 cooperatives.

Results of the pilot program suggested that EKPC could cut its peak power demand in the summer by 50 megawatts (about 2 percent) if the same measures were implemented throughout its system. The reduction in power demand returns more than \$2 for every dollar spent on the program.

The program uses devices placed on water heaters and air conditioners. The devices, which are installed at no cost to the customer, allow the utility to turn off air conditioner compressors (the fans that circulate air remain in operation) for up to 15 minutes per hour and water heaters to be turned off for up to four hours per day.

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Participants receive an annual credit of \$10 per water heater and \$20 per central air conditioner. Or they can chose to receive a digital thermostat in place of the \$20 bill credit per central air conditioner.

The digital thermostat allows the utility the option of raising the thermostat setting rather than turning off the air conditioner compressor, depending on which will be more effective in reducing power demand at that time. The PSC noted that customers opting for digital thermostats may develop greater awareness of the benefits of energy conservation because the thermostats display electric usage.

EKPC hopes to include 50,000 air conditioners and 27,000 water heaters in the expanded program. To enhance the cost-effectiveness of the program, devices will be placed on water heaters only in those homes with remote-control units on central air conditioners.

The 16 distribution cooperatives that own EKPC and to which it supplies power serve more than 500,000 customers in 89 Kentucky counties. Blue Grass Energy and Big Sandy Rural Electric Cooperative Corp. were the two cooperatives in the pilot program.

EKPC's program will be administered by GoodCents Solutions, which has served for several years as the administrator of a similar program for the Louisville Gas and Electric Co. and Kentucky Utilities Co. EKPC estimates the program will cost between \$4 million and \$5 million per year, depending on how many customers participate.

Today's order and related documents in the case are available on the PSC Web site, psc.ky.gov. The case number is 2008-00161.

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.