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NEWS RELEASE

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PSC ORDER ADVANCES CARBON STORAGE RESEARCH *Utilities will contribute to development efforts*

FRANKFORT, Ky. (Oct. 30, 2008) – The Kentucky Public Service Commission (PSC) has encouraged Kentucky’s investor-owned electric utilities to contribute to projects to develop technology to capture and store carbon dioxide emissions from coal-burning electric plants.

Effective carbon management and sequestration (long-term storage) is considered essential to the continued use of coal as a fuel for electric generation if limits are placed on carbon emissions in order to combat global climate change. Kentucky, which has among the lowest electric rates in the nation, generates more than 90 percent of its electricity from coal.

“The issues of carbon management and carbon sequestration hold the potential for affecting the customers of all utilities subject to our jurisdiction,” the PSC said in an order issued today. “Accordingly, the Commission is greatly interested in the work of (the two research entities) which addresses these issues.”

Four utility companies plan to contribute a total of \$7.8 million to the research efforts.

“We are pleased to see Kentucky’s investor-owned utilities engaged in these important scientific partnerships,” PSC Chairman David Armstrong said.

The two research entities are the Carbon Management Research Group (CMRG), which is a partnership of the private sector and the University of Kentucky Center for Applied Energy Research; and the Kentucky Consortium for Carbon Storage (KCCS), which was created by the Kentucky Geological Survey and the Kentucky Department of Energy Development and Independence. KCCS is conducting a test of underground carbon storage in western Kentucky.

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Duke Energy Kentucky Inc. and Kentucky Power Co. have each agreed conditionally to provide up to \$200,000 annually to CMRG for up to 10 years. The funding will match contributions from other sources. Louisville Gas and Electric Co. (LG&E) and Kentucky Utilities Co. (KU) have agreed to jointly provide up to \$200,000 annually to CMRG for the next 10 years.

In addition, LG&E and KU have agreed to jointly provide KCCS with up to \$1.8 million in matching funds over a two-year period. LG&E and KU are partners with Peabody Energy and ConocoPhillips in the Western Kentucky Carbon Storage Foundation Inc., a non-profit entity established to manage industry contributions to KCCS.

Duke Energy and Kentucky Power are not participating in the KCCS effort because both are engaged in company-run carbon sequestration pilot projects.

In today's order, the PSC authorized four companies to create separate accounts to track their contributions to two research efforts. The accounts, known as regulatory assets, are an accounting tool that allows unusual or one-time costs to be deferred for a period of time for possible recovery in future rate cases.

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

Today's order and related documents in the case are available on the PSC Web site, psc.ky.gov. The case number is 2008-00308.

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.