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NEWS RELEASE

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PSC OPENS CASE ON 2007 FEDERAL ENERGY ACT CHANGES *Kentucky to consider energy efficiency and "smart grid" standards*

FRANKFORT, Ky. (Nov. 13, 2008) – The Kentucky Public Service Commission (PSC) today initiated its consideration of new electric energy and natural gas provisions of the federal Energy Independence and Security Act of 2007 (EISA 2007).

"This proceeding entails a wide-ranging look at how Kentucky's electric and natural gas utilities plan for the future, set priorities and address the critical issue of energy efficiency," PSC Chairman David Armstrong said. "We intend to take a comprehensive look at how the implementation of these proposed standards would affect our state's utilities and their ratepayers."

The administrative case will determine whether Kentucky should implement five new electric energy standards that EISA 2007 requires states to consider. They are:

- Making energy efficiency a component in the planning process electric utilities use to anticipate future generation and transmission needs and giving cost-effective energy efficiency a priority in the planning process.
- Altering electric rate structures to encourage energy efficiency improvements by customers and promote energy efficiency investment by utilities, and offering residential customers assistance in improving energy efficiency.

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- Requiring consideration of “smart grid” technology as a priority when considering grid improvements. Smart grid technology uses advanced information tools to improve the efficiency, reliability and safety of electric distribution and transmission networks.
- Providing electric customers with more information about the sources of their power and real-time information about their electric consumption and the price of that power.
- Creating incentives for recovery and use of waste energy created by industrial processes.

The first four standards involve changes to the Public Utility Regulatory Policies Act of 1978, or PURPA, which is the federal law that sets the basic standards for regulation of electric utilities. EISA 2007 gives Kentucky and the other states until Dec. 19, 2009, to decide whether it is appropriate to implement the four PURPA-related standards.

A decision on the non-PURPA standard dealing with waste industrial energy must be made within six months of the receipt of an application from a waste energy project sponsor.

Two PURPA standards related to natural gas also will be considered during the proceeding. They are:

- Making energy efficiency a component in the planning process and adopting policies that give priority to energy efficiency.
- Structuring rates to encourage energy efficiency improvements by customers and promote energy efficiency investment by utilities, including creation of incentives for utilities to promote reduced usage.

States may decline to implement all or some of the EISA 2007 standards, may set their own standards and may take into consideration existing state policies in reaching their decisions.

All of Kentucky’s regulated electric utilities are being made parties to the case. They include four investor-owned utilities, two generation and transmission cooperatives and 19 rural electric cooperatives.

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Although the two generation and transmission cooperatives and several of the rural electric cooperatives are not subject to PURPA, they may be subject to any PSC decisions arising from the proceeding, the PSC said in today's order.

Kentucky's five largest natural gas distribution utilities also are being made parties to the case.

The Kentucky Office of Attorney General and the Kentucky Department of Energy Development and Independence were invited to take part in the proceeding. The PSC also invited the participation of a number of organizations representing industrial users, low-income consumers and environmental activists.

In today's order, the PSC issued requests for information to the electric and natural gas utilities. The responses are due Dec. 12.

Requests to become an intervenor, or formal participant, in the case must be filed with the PSC no later than Dec. 15. A procedural schedule for the case, including a decision on holding a public hearing, will be issued at a later date.

"These proposed standards could affect how Kentuckians use energy and how much they pay for it," PSC Chairman Armstrong said. "We invite anyone with an interest in this issue to make their opinions known to the PSC."

Anyone wishing to submit written comments in the case can mail them to the PSC at P.O. Box 615, Frankfort, KY 40602, fax them to (502) 564-9625 or submit them by e-mail from the PSC Web site.

Today's order, as well as other case documents, can be found on the PSC Web site, which is psc.ky.gov. The case number is 2008-00408.

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.