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NEWS RELEASE

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PSC OKs Duke Energy Kentucky Generation Purchase

Utility will now have full ownership of East Bend plant in Rabbit Hash

FRANKFORT, Ky. (Dec. 8, 2014) – Duke Energy Kentucky will become the sole owner of the East Bend electric power plant in Boone County following Kentucky Public Service Commission (PSC) approval of the company's purchase of a minority interest held by Dayton Power & Light Co. (DP&L) of Ohio.

In an order issued Thursday, Dec. 4, the PSC authorized Duke Kentucky to purchase DP&L's 31-percent interest in the plant for a price of $12.4 million. The 600-megawatt (MW) coal-fired East Bend plant is in Rabbit Hash, in southwest Boone County.

The transaction means that Duke Kentucky will now have a majority of its generating capacity – including all of its base load plants - located in Kentucky, rather than Ohio.

Duke Energy Kentucky stated in its application that the purchase of the DP&L share of East Bend will offset the loss of generating capacity with the expected retirement of its coal-fired 163-MW Miami Fort unit in Ohio by mid-2015. Miami Fort is 21 years older than East Bend and would need a costly upgrade to meet new environmental standards, Duke Kentucky said.

East Bend, which went into service in 1981, has modern pollution control equipment. DP&L has been seeking a buyer for its share of the plant due to a corporate restructuring required by Ohio regulators.

The transaction was the subject of a PSC hearing conducted on Oct. 30.

In that hearing, the PSC reviewed a settlement negotiated by Duke Kentucky and the Kentucky Office of Attorney General, which intervened in the case on behalf of the utility's ratepayers. Duke Kentucky serves about 138,000 electric customers in Boone, Campbell, Grant, Kenton and Pendleton counties.

The PSC approved the settlement without modification. As part of the settlement, Duke Kentucky agreed that it will not file for a rate increase prior to Jan. 1, 2016, meaning that the utility's electric rates cannot increase before mid-2016.

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Other benefits cited in the settlement agreement include lower fuel costs at East Bend compared to an upgraded Miami Fort, operational efficiencies achieved through sole ownership of East Bend, avoidance of uncertainties caused by the expiration of the East Bend operating agreement with DP&L, environmental benefits of replacing Miami Fort and the relocation of generation assets to Kentucky.

The settlement also addresses a number of financial aspects of the transaction, including accounting of costs and revenues associated with the purchase and accounting treatment of retirement costs for Miami Fort.

The PSC order, the settlement agreement and other documents in the case, and a video of the hearing are available on the PSC website, psc.ky.gov. The case number is 2014-00201.

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 85 employees.

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