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## NEWS RELEASE

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### **PSC Approves Duke Energy Gas Rate Settlement** *Revenue increase is \$4.5 million less than requested*

FRANKFORT, Ky. (Dec. 29, 2009) – The Kentucky Public Service Commission (PSC) today approved a settlement granting Duke Energy Kentucky, Inc. an annual revenue increase of \$13 million (10.4 percent), which is \$4.5 million less than the amount sought by the utility.

Under the settlement, the monthly customer charge will increase to \$16 from the current \$12. The gas delivery charge will rise from the current \$2.67 per 1,000 cubic feet to \$3.72 per 1,000 cubic feet.

For a typical residential customer using an average of 7,000 cubic feet per month, the settlement will increase the average monthly bill by \$11.35, or \$136.20 per year.

The settlement applies only to Duke Kentucky's base rate, which covers the utility's cost of operating and maintaining its system, as well as any profit margin. The commodity cost of the gas itself, which is adjusted monthly to reflect market prices, is determined separately and is passed through to consumers on a dollar-for-dollar basis by Duke Energy, with no additional profit for the utility.

In an order issued today, the PSC ruled that the settlement produced rates that are "fair, just and reasonable" and should be approved. The new rates take effect Jan. 4, 2010.

Duke Kentucky negotiated the settlement with the Kentucky Office of Attorney General. The PSC conducted a public hearing on the settlement on Dec. 15.

Duke Energy Kentucky serves about 95,000 customers in Boone, Bracken, Campbell, Gallatin, Grant, Kenton and Pendleton counties in northern Kentucky. This case does not affect rates for the company's 135,000 electric customers in Kentucky.

Duke Kentucky originally sought to increase its annual revenue from gas operations by \$17.5 million. The proposal would have shifted more of a customer's bill to the fixed monthly charge, by increasing it to \$30. Duke Kentucky proposed to reduce the volume-based delivery to \$2 per 1,000 cubic feet.

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In addition to reducing the revenue increase for Duke Kentucky, the settlement agreement retains a base rate structure similar to the current rates – one tied more to a customer's natural gas consumption than the rate structure proposed by Duke Kentucky.

At an average monthly usage of 7,000 cubic feet, a typical Duke Kentucky residential customer will pay \$23.52 less per year under the base rates in the settlement than they would have paid under Duke Kentucky's proposed rates.

However, in any month in which a customer uses more than 8,130 cubic feet – a level usually exceeded only during the winter months – the base rates under the settlement will be higher than Duke Kentucky's original proposal. Conversely, using less than 8,130 cubic feet of gas per month, as customers generally do for most of the year, results in a lower base rate under the settlement.

As part of the settlement, Duke Kentucky agreed not to seek another rate increase for at least 18 months. The settlement also contains provisions relating to uncollectible accounts, depreciation rates and Duke Kentucky's return on equity.

Today's order, Duke Kentucky's application and other documents in the case are available on the Web site. The case number is 2009-00202.

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.