

PSC approves energy efficiency plan for Kentucky Power

The Kentucky Public Service Commission (PSC) has approved a revised slate of residential and commercial energy efficiency and demand side management (DSM) programs for Kentucky Power Co. In an order issued Feb. 13, the PSC authorized Kentucky Power to continue 10 existing programs for residential or commercial customers – most of them with additional features. Two new programs will be added and one program will be discontinued. Kentucky Power's energy efficiency initiatives are included in the company's demand-side management (DSM) programs. In accordance with Kentucky statutes, the DSM programs are funded through a surcharge on customers' bills. A utility is required to demonstrate that its DSM programs are cost-effective in a number of ways, including providing long-term savings to ratepayers as a whole. The Kentucky Power programs meet those tests, the PSC said. (floydcountytimes.com Feb. 24, 2015)

U.S. Coal idles mines in Breathitt and Magoffin Counties

We learned about another blow to the coal industry, this time in Magoffin County. The Salyersville Mayor tells us U.S. Coal in Tiptop shut down operations Friday. We are told 100 people were laid off. 50 miners lost their jobs earlier this week. The mayor says it is the last mine in Magoffin County. Here is a statement from Bill Bissett, President of the Kentucky Coal Association. "U.S. Coal Corporation has idled the majority of mining operations at its Licking River Division in Magoffin and Breathitt Counties. This difficult decision was brought on by poor market conditions and a difficult regulatory environment. The company is presently seeking to sell its assets and is very hopeful that a new owner will be able to put a number of hard working coal miners back to work." (WYMT-TV Feb. 27, 2015)

Save energy with USDA Rural Development

Last month, Secretary Vilsack announced the opening of the new application cycle for our Rural Energy for America Program (REAP). In addition to the announcement, RBS conducted a national REAP stakeholder forum which discussed program changes and provided examples of successful projects from previous years. For example, Ideal Dairy restaurant of Richfield, Utah used a REAP grant to leverage a loan from Zions Bank and install an array of solar panels on the roof of its retail location. The addition has saved an average of \$400 a month in electricity expenditures for owners Kristi and Gary Sorenson. A larger scale solar project in Guayanilla, Puerto Rico allowed a major employer – Master Paints and Chemicals Corporation – to completely offset its \$180,000 annual energy expenses and give it independence from fossil fuel-based energy. Solar panels are just one example of what can be done with REAP. The 2014 Farm Bill provided funding for the Rural Energy for America Program (REAP), for energy efficiency improvements for agricultural producers and rural small businesses. (USDA.gov March 3, 2015)

U.S. nuclear industry supports growth despite aging plant retirements

The Administration supports continued federal nuclear energy program funding in its "all of the above" energy strategy. Despite aging plants challenged by low-cost natural gas-fired generation and several off-schedule new plant constructions, the nuclear energy industry will continue its vital role in the domestic energy mix. In addition, nuclear energy is particularly embraced by Republicans, including Sen. Lamar Alexander (R-TN), chair of the Senate Appropriations Subcommittee on Energy and Water Development, which will determine spending appropriations for federal energy projects. (Breakingenergy.com March 02, 2015)

Moody's slightly downgrades Paducah Power System's rating

Moody's Investors Service, Inc. downgraded Paducah Power's bond rating by one step, but gave the company a stable outlook. The rating dropped from A3 to Baa1. That's a more favorable rating than the BBB downgrade from Fitch Ratings in December. Moody's said the outlook reflects that the measure taken by Paducah Power will lead to improved financial metrics in the coming months. They also believe that Prairie State's improved operating performance can be sustained. That's the Illinois coal plant that Paducah Power invested in to supply electricity. (WPSDLocal6TV March 3, 2015)

Michigan's energy choice could be eliminated under House proposal

The ability of electric customers to buy electricity from out of state would go away under the energy plan proposed by House Energy Policy Chair Aric Nesbitt, R-Lawton. "This proposal does go back to a fully regulated market which I believe is the best way to assure reliability for ratepayers throughout the state," Nesbitt said. Currently, utilities must allow customers to purchase up to 10 percent of the utility's total capacity from out-of-state markets. Large companies sometimes take advantage of this to get cheaper energy because Michigan's is more expensive than other Midwestern states. (michiganlive.com March 5, 2015)

Kentucky Retail Fuel Prices (Dollars per gallon)

| Product | 3/4/2015 | 2/26/2015 | 2/19/2015 | 2/12/2015 | Year Ago |
|------------------------------|----------|-----------|-----------|-----------|----------|
| Gasoline (State avg.) | \$ 2.34 | \$ 2.34 | \$ 2.27 | \$ 2.23 | \$ 3.41 |
| Ashland | \$ 2.37 | \$ 2.25 | \$ 2.28 | \$ 2.33 | \$ 3.50 |
| Covington | \$ 2.47 | \$ 2.41 | \$ 2.42 | \$ 2.45 | \$ 3.47 |
| Lexington | \$ 2.32 | \$ 2.22 | \$ 2.32 | \$ 2.45 | \$ 3.40 |
| Louisville | \$ 2.39 | \$ 2.37 | \$ 2.30 | \$ 2.45 | \$ 3.53 |
| Owensboro | \$ 2.28 | \$ 2.18 | \$ 2.18 | \$ 2.16 | \$ 3.38 |
| Diesel (State avg.) | \$ 2.90 | \$ 2.89 | \$ 2.85 | \$ 2.81 | \$ 4.10 |
| Ashland | \$ 2.95 | \$ 2.95 | \$ 2.95 | \$ 2.95 | \$ 4.14 |
| Covington | \$ 2.92 | \$ 2.89 | \$ 2.89 | \$ 2.87 | \$ 4.23 |
| Lexington | \$ 2.95 | \$ 2.91 | \$ 2.92 | \$ 2.89 | \$ 4.13 |
| Louisville | \$ 2.92 | \$ 2.90 | \$ 2.89 | \$ 2.91 | \$ 4.11 |
| Owensboro | \$ 2.78 | \$ 2.75 | \$ 2.67 | \$ 2.61 | \$ 4.17 |

Note: The record high average price for gasoline in Kentucky is \$4.089, reported on July 10, 2008.
 Source: Gasoline (unleaded regular) & Diesel: National AAA,

| Product | 3/2/2015 | 2/23/2015 | 2/16/2015 | 2/9/2015 | Year Ago |
|----------------------------------|----------|-----------|-----------|----------|----------|
| Heating Oil (dollars per gallon) | \$ 2.68 | \$ 2.62 | \$ 2.62 | \$ 2.45 | \$ 3.84 |
| Propane (dollars per gallon) | \$ 2.14 | \$ 2.15 | \$ 2.13 | \$ 2.15 | \$ 2.94 |

http://www.eia.gov/dnav/pet/pet_pri_wfr_dcus_SKY_w.htm

| Spot Prices | 3/4/2015 | 2/24/2015 | 2/18/2015 | 2/10/2015 | Year Ago |
|---|----------|-----------|-----------|-----------|-----------|
| Crude Oil (Dollars per barrel) <i>West Texas Intermediate, fob</i> | \$ 49.59 | \$ 49.56 | \$ 53.56 | \$ 52.99 | \$ 102.82 |
| MMBtu) <i>Henry-Hub</i> | \$ 3.22 | \$ 3.22 | \$ 2.75 | \$ 2.62 | \$ 6.08 |
| Coal Price (dollars per short ton) <i>Central Appalachia</i> | \$ 53.06 | \$ 53.06 | \$ 53.06 | \$ 53.06 | \$ 63.00 |
| Coal Price (dollars per short ton) <i>Illinois Basin</i> | \$ 40.32 | \$ 40.32 | \$ 45.32 | \$ 45.32 | \$ 46.65 |

Sources: <https://www.quandl.com/#/c/markets/coal> http://www.eia.gov/dnav/pet/pet_pri_spt_s1_d.htm http://ycharts.com/indicators/natural_gas_spot_price

| Futures | 3/4/2015 | April 2015 | May 2015 | June 2015 |
|--|----------|------------|----------|-----------|
| Crude Oil (Dollars per barrel) <i>Light Sweet Crude Oil</i> | \$ 50.52 | \$ 52.50 | \$ 54.07 | |
| Natural Gas (Dollars per MMBtu) <i>Henry-Hub</i> | \$ 2.71 | \$ 2.75 | \$ 2.80 | |
| Propane (Dollars per gallon) <i>Mt Belvieu (OPIS)</i> | \$ 0.62 | \$ 0.62 | \$ 0.62 | |

Source: CME Group

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