



Press Release

Historic Dam to Produce Power Again

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(LOUISVILLE, Ky. (Jan. 3, 2006) - Kentucky Utilities Company and the Lock 7 Hydro Partners announced today that they are taking steps to maximize Kentucky's natural resources and provide cleaner energy for Kentucky.

KU has sold the Lock 7 hydroelectric generating facility on the Kentucky River near Shakertown to the Lock 7 Hydro Partners who will rehabilitate and operate the facility.

The agreement, which has approval from the Federal Energy Regulatory Commission, means the Lock 7 facility will provide another outlet in Kentucky for the generation of what is known as 'Green Power' — any energy that is derived from a source other than fossil fuels. Lock 7 Hydro Partners expect to begin rehabilitation work immediately in hopes of generating up to 2,000 kilowatts of electricity from the facility by the end of 2006.

"We are pleased that negotiations with members of the Lock 7 group resulted in the rehabilitation of our old Kentucky River site," said Director of Generation Services John Malloy. "Preserving this "green" resource for Kentucky consumers is an important environmental step in the right direction. It will be a great energy asset for central Kentucky."

"This represents a win-win situation for all of the parties involved, but especially a real win for the environment," said David Brown Kinloch, President and CEO of Lock 7 Hydro Partners, LLC. "Presently, Kentucky has few power plants that generate electricity with clean renewable resources. Saving and restoring this facility demonstrates a real commitment to the environment by both Salt River Electric and Kentucky Utilities."

The name of the facility, which sits on the west side of the U.S. Army Corps of Engineers lock and dam #7 on the Kentucky River, will be changed to the Mother Ann Lee Hydroelectric Station, after the founder of the Shakers. The station will continue to be connected to the KU grid near KU's E.W. Brown plant, a short distance from Shakertown in Mercer County.

Lock 7 Hydro Partners, LLC is a partnership between Shaker Landing Hydro Associates, Inc. and Salt River Electric. The principles of Shaker Landing Hydro Associates have 20 years of experience in the hydro-electric field. Salt River Electric is an electric cooperative based in Bardstown, KY that serves 42,235 members in Nelson, Bullitt, Spencer, Washington, Marion and Larue Counties in Kentucky. Salt River Electric is one of 16 member Cooperatives that make up East Kentucky Power Cooperative.

Lock 7 Hydro Partners plans to do a complete rehabilitation and modernization of the plant which hasn't operated since 1999. The estimated cost of the plant renovation is \$2.75 million. Power produced by the plant will be sold to Salt River Electric members as "Green Power" through the Cooperative's EnviroWatt program. While Salt River already sells Green Power through the EnviroWatt Program, the purchase and rehabilitation of the Mother Ann Lee Hydro-electric Station will allow Salt River Electric to provide its own Green Power to its members that participate in the EnviroWatt program. The renovated plant should produce enough power for about 1,000 homes.

The Lock 7 hydro facility was constructed in 1928. The original license was issued to the Kentucky Hydro Electric Company in August 1926, and then transferred to KU effective Dec. 31, 1928. The lock and dam, which span the width of the Kentucky River, was constructed by the U.S. Army Corps of Engineers in 1896-97.

For additional information, please contact Cliff Feltham of Kentucky Utilities or David Brown Kinloch of Lock 7 Hydro Partners, at 502-589-0975.

Kentucky Utilities Company, based in Lexington, Ky., is committed to serving communities by producing reliable, low-priced electric energy to more than 520,000 customers in 77 Kentucky counties and five counties in western Virginia. KU is a part of the E.ON AG family of companies. E.ON AG is headquartered in Düsseldorf, Germany.

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