

INDIANA-KENTUCKY ELECTRIC CORPORATION

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FOR IMMEDIATE RELEASE

IKEC TO INVEST \$460 MILLION FOR ENVIRONMENTAL CONTROLS AT CLIFTY CREEK POWER PLANT

MADISON, IN, May 11, 2006 –Indiana-Kentucky Electric Corp. (IKEC) announced today preliminary plans for investing an estimated \$460-million to install additional environmental controls at its Clifty Creek power plant located in Madison, Indiana.

IKEC plans to install flue gas desulfurization (FGD) systems at the facility. The Clifty Creek plant has a generating capacity of 1302 MW. FGD systems, commonly called "scrubbers," reduce sulfur dioxide (SO₂) emissions by as much as 98 percent. The Clifty Creek plant has six separate 217-MW generating units. Two absorber modules will be built to treat the boiler exhaust. Each module will accommodate three generating units.

"The addition of the FGD systems represents a major commitment to environmental quality in southeastern Indiana," said Ray Wilson, Clifty Creek plant manager. "The project will also produce an economic boost to Jefferson County and the city of Madison in the form of increased county option income taxes."

Engineering and permitting activities are currently under way and construction on the Clifty Creek FGD system is scheduled to begin in 2007. The Clifty Creek system is scheduled to begin operations in 2010.

IKEC has engaged American Electric Power Service Corporation to serve as the project manager for the construction project. AEP will provide professional services in licensing, engineering, design, procurement and construction management for the project.

“The project will produce some changes in the appearance of the plant’s stack exhaust,” Wilson explained. “We want to assure our neighbors that the changes actually represent an improvement in air quality for the region.”

Because scrubbers increase the amount of water vapor emitted through the stack, the plume will be more visible. “The new plume will essentially be water vapor,” said Wilson. “It will be the most obvious sign that the plants’ emissions are cleaner than they were before.” A new stack will be built for the plant as part of the overall FGD project.

An FGD system uses both chemical and mechanical processes to remove and capture SO₂ from a combustion boiler’s flue gas. The SO₂ in the flue gas interacts and is absorbed into a finely ground limestone slurry. Once dissolved, the SO₂ reacts with the calcium in the limestone to form a solid compound. A mechanical process removes the water from this slurry, and the resultant FGD material, gypsum, is suitable for disposal in an appropriate landfill. It is also suitable for conversion to usable building materials.

The construction project will create the need for temporary labor. Temporary positions will be filled through contractors selected to install the equipment. Workers from all 14 building trades will be supplied through local and regional union halls. Construction employment is expected to peak at 450 workers. Roughly 20 additional full-time staff will be required at the plant once the scrubbers are completed and in operation.

“The addition of FGD equipment will enable the facility to continue to comply with regional and national air quality standards in the most cost-effective manner,” Wilson explained. As part of IKEC’s environmental improvement efforts, selective catalytic reduction systems were added to five units in 2002 to reduce emissions of nitrogen oxides (NOx.) The NOx reduction systems began operation in 2003.

Clifty Creek began commercial operation in 1955.

IKEC and its parent company, Ohio Valley Electric Corporation, were organized in October 1952 by 15 sponsoring utilities. Parent companies of the sponsoring utilities are Allegheny Energy, Inc. (NYSE: AYE), American Electric Power (NYSE: AEP), Buckeye Power, Inc., Duke Energy Corp. (NYSE: DUK), DPL, Inc. (NYSE: DPL), E.ON AG, FirstEnergy Corp. (NYSE: FE) and Vectren Corp. (NYSE: VVC).