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Telkonet SmartEnergy(TM) Selected in Premium Efficiency Cooling Program for Lodging Properties

Combined Rebate Program and Utility Financing Arrangement Allow Hospitality Properties to Install SmartEnergy(TM) Energy Efficiency Equipment With No Out-of-Pocket Expenses to Reduce Energy Costs and Increase Guest Comfort

MILWAUKEE, WI -- (MARKET WIRE) -- 05/14/10 -- Telkonet, Inc. (OTCBB: TKOI) announced today that the SmartEnergy system has been chosen as a component of a utility rebate and incentive program administered by Conservation Services Group, Inc. The Premium Efficiency Cooling Program will provide incentives to participating contractors and lodging properties to install Telkonet SmartEnergy on heating and cooling equipment in the greater San Diego County area and in limited areas in southern Orange County. With typical HVAC run time savings of 30%, hotel and motel operators can reduce energy costs, advance green initiatives, and improve guest comfort with Telkonet's energy management controllers and occupancy sensors.

The Premium Efficiency Cooling Program is scheduled to run through December 31, 2012 or when funds are no longer available. In addition to rebate incentives toward the purchase of Telkonet SmartEnergy energy management equipment, hospitality properties who qualify are also eligible for a special on-bill financing arrangement. With the combination of equipment rebates and on-bill financing to eliminate the out-of-pocket installation expenses, lodging properties can automatically reduce energy consumption and costs, increase guest comfort, and be immediately cash-flow positive.

"The Premium Efficiency Cooling Program is dedicated to helping make buildings more energy efficient to protect the environment by reducing energy demand," said Kecia Davison, Regional Vice President of Conservation Services Group. "The Telkonet SmartEnergy system not only reduces energy consumption of PTAC/HP equipment, but also increases occupant comfort and adds to each hotel's bottom line. The available incentives combined with the utility's financing program eliminate the financial risk that up-front costs may present, removing one of the largest hurdles in the hospitality sector for becoming more energy efficient. Partnering with Telkonet SmartEnergy not only advances environmental responsibility, but also showcases the financial benefits that can come from reducing energy consumption in heating and cooling equipment, the largest guestroom operating expense."

About Premium Efficiency Cooling

The Premium Efficiency Cooling Program is implemented by Conservation Services Group, Inc. (CSG), an organization that promotes energy efficiency and the development of renewable energy resources. Founded in 1984, Conservation Services Group, Inc.

specializes in the design, development, and delivery of energy efficiency and renewable energy programs. CSG works with clients seeking to promote energy efficiency, comfort, and clean energy alternatives as a cost-effective option for energy supply and environmental responsibility now and in the future. CSG, headquartered in Westborough, Massachusetts, also has regional offices in California, Florida, Illinois, Iowa, New Jersey, New York, and Oregon.

www.premiumcooling.com

About Telkonet

Telkonet is a market-leading Clean Technology company providing integrated, centrally-managed energy management and SmartGrid networking solutions to the emerging \$50 billion SmartGrid and Energy Efficiency markets. Telkonet's products improve energy consumption and reduce the demand for new energy generation. The Company's in-room energy management systems are lowering heating and cooling costs in over 180,000 rooms and are an integral part of various utilities' green energy efficiency and rebate programs.

The Premium Efficiency Cooling Program is funded by California utility customers and administered by San Diego Gas & Electric Company (SDG&E®) under the auspices of the California Public Utilities Commission, through a contract awarded to Conservation Services Group. California customers who choose to participate in this program are not obligated to purchase any additional services offered by the contractor. The trademarks used herein are the property of their respective owners.

Statements included in this release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve a number of risks and uncertainties such as competitive factors, technological development, market demand and the Company's ability to obtain new contracts and accurately estimate net revenue due to variability in size, scope and duration of projects, and internal issues in the sponsoring client. Further information on potential factors that could affect the Company's financial results, can be found in Company's Registration Statement and in its Reports on Forms 8-K filed with the Securities and Exchange Commission (SEC).

Media Contacts:

Telkonet Investor Relations

240.912.1811

ir@telkonet.com