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PUBLIC SERVICE
COMMISSION

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Lisa Steinkuhl
Rates Coordinator

VIA OVERNIGHT DELIVERY

April 30, 2008

Ms. Stephanie Stumbo, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Dear Ms. Stumbo:

Pursuant to the Stipulation approved by the Commission in Case No. 2006-00172, Duke Energy Kentucky hereby submits its updated Off-System Sales and Emission Allowance Sales Profit Sharing Mechanism Rider ("Rider PSM"), to be effective with the first billing cycle in June 2008, along with backup schedules.

Please time-stamp the extra copy that I have enclosed and return for our file. Thank you for your timely assistance in this regard.

Please contact me if you have any questions.

Sincerely,

Lisa D. Steinkuhl

Enclosure

**RIDER PSM
OFF-SYSTEM POWER SALES AND EMISSION ALLOWANCE SALES
PROFIT SHARING MECHANISM**

APPLICABILITY

Applicable to all retail sales in the Company's electric service area, excluding interdepartmental sales, beginning with the billing month June 2008.

(T)

PROFIT SHARING RIDER FACTORS

The Applicable energy charges for electric service shall be increased or decreased to the nearest \$0.000001 per kWh to reflect the sharing of profits on off-system power sales and the net margins on sales of emission allowances.

The Company will compute its profits on off-system power sales and margins on emission allowance sales in the following manner:

$$\text{Rider PSM Factor} = (P + E + R) / S$$

where:

- P = Eligible profits from off-system power sales for applicable month subject to sharing provisions established by the Commission in its Order in Case No. 2003-00252, dated December 5, 2003. The first 100% of profits up to \$1 million during the current year are credited 100% to customers. Cumulative profits for the current year in excess of \$1 million are shared between customers and shareholders on a 50%/50% basis. After December 31st of each year, the sharing mechanism will be reset.
- E = All net margins on sales of emission allowances are credited to customers per the Commission's Order in Case No. 2006-00172, dated December 21, 2006.
- R = Reconciliation of prior period Rider PSM actual revenue to amount calculated for the period.
- S = Current month sales in kWh used in the current month Rider FAC calculation.

Issued by authority of an Order of the Kentucky Public Service Commission dated December 21, 2006 in Case No. 2006-00172.

Issued:

Effective: May 30, 2008

Issued by: Sandra P Meyer, President

Duke Energy Kentucky, Inc.
1697-A Monmouth Street
Newport, Kentucky 41071

KY.P.S.C. Electric No. 2
Sixth Revised Sheet No. 82
Cancels and Supersedes
Fifth Revised Sheet No. 82
Page 2 of 2

<u>Rate Group</u>	<u>Rate</u> (\$/ kWh)	
Rate RS, Residential Service	0.002121	(R)
Rate DS, Service at Secondary Distribution Voltage	0.002121	(R)
Rate DP, Service at Primary Distribution Voltage	0.002121	(R)
Rate DT, Time-of-Day Rate for Service at Distribution Voltage	0.002121	(R)
Rate EH, Optional Rate for Electric Space Heating	0.002121	(R)
Rate GS-FL, General Service Rate for Small Fixed Loads	0.002121	(R)
Rate SP, Seasonal Sports Service	0.002121	(R)
Rate SL, Street Lighting Service	0.002121	(R)
Rate TL, Traffic Lighting Service	0.002121	(R)
Rate UOLS, Unmetered Outdoor Lighting	0.002121	(R)
Rate OL, Outdoor Lighting Service	0.002121	(R)
Rate NSU, Street Lighting Service for Non-Standard Units	0.002121	(R)
Rate NSP, Private Outdoor Lighting Service for Non-Standard Units	0.002121	(R)
Rate SC, Street Lighting Service – Customer Owned	0.002121	(R)
Rate SE, Street Lighting Service – Overhead Equivalent	0.002121	(R)
Rate TT, Time-of-Day Rate for Service at Transmission Voltage	0.002121	(R)
Other	0.002121	

SERVICE REGULATIONS

The supplying of, and billing for, service and all conditions applying thereto are subject to the jurisdiction of the Kentucky Public Service Commission, and to the Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission as provided by law.

Issued by authority of an Order of the Kentucky Public Service Commission dated December 21, 2006 in Case No. 2006-00172

Issued:

Effective: May 30, 2008

Issued by: Sandra P. Meyer, President

**DUKE ENERGY KENTUCKY
CALCULATION OF RIDER PSM CREDIT FOR JUNE 2008 - AUGUST 2008 BILLING**

Line No.	Description	Billing Month			Total
		Jan-08	Feb-08	Mar-08	
1	Off-System Sales Margin Allocated to Customers from 2008 (Schedule 2, Line 21)				(+) \$ 1,960,070
2	Net Margins on Sales of Emission Allowances (Schedule 4, Line 9)				(+) 0
3	Prior Period Carryforward (Schedule 3, Line 25)				(+) (601,905)
4	Total Amount of Credits Owed to Customers	(314,158)	(290,835)	(215,945)	\$ 1,358,165
5	Actual Amount Credited to Customers				(-) (820,938)
6	Net Refund due to (from) Customers				\$ 2,179,103
7	Sales (kWh) from FAC Filing January, February, March 2008 (FAC Schedule 3, Line C)				+ 1,027,533,511
8	Profit Sharing Mechanism Credit Rate (\$/kWh)				0.002121

Effective Date for Billing: May 30, 2008

Submitted by: *John R. Stember*

Title: Lead Rates Analyst

Date Submitted: April 30, 2008

DUKE ENERGY KENTUCKY
OFF-SYSTEM SALES SCHEDULE
PERIOD: YEAR TO DATE - DECEMBER 31 2008

Line No.	Description	Jan-08	Feb-08	Mar-08	Total
1	Off-System Sales Revenue				
2	Asset Energy	(+) \$1,138,304	\$1,261,363	\$2,869,427	\$5,269,094
3	Non-Asset Energy	(+) 0	0	0	0
4	Bilateral Sales	(+) 2,183	1,554	1,012	4,749
5	Hedges	(+) (408)	(84)	(373,926)	(374,418)
6	MISO RSG Make Whole Payments ^(a)	(+) 718,802	691,442	1,170,652	2,580,896
7	Sub-Total Revenues	<u>\$1,858,881</u>	<u>\$1,954,275</u>	<u>\$3,667,165</u>	<u>\$7,480,321</u>
8	Variable Costs Allocable to Off-System Sales				
9	Bilateral Purchases	(+) \$0	\$36,068	\$0	\$36,068
10	Non-Native Fuel Cost ^(b)	(+) 1,069,588	945,045	2,051,968	4,066,601
11	Variable O&M Cost	(+) 58,988	54,290	114,589	227,867
12	SO ₂ Cost	(+) 72,011	36,083	109,790	217,884
13	NO _x Cost	(+) 0	0	0	0
14	MISO and Other Costs	(+) 2,949	4,077	4,736	11,762
15	Sub-Total Expenses	<u>\$1,203,536</u>	<u>\$1,075,563</u>	<u>\$2,281,083</u>	<u>\$4,560,182</u>
16	Off-System Sales Margin (Line 7 - Line 15)	\$655,345	\$878,712	\$1,386,082	\$2,920,139
17	Allocated to Customers (up to 100% of first \$1.00 million) ^(b)				<u>1,000,000</u>
18	Sub-Total (Line 16 - Line 17)				\$1,920,139
19	Percentage Allocated to Customers (50% of margins > \$1.00 million) ^(b)				<u>50.00%</u>
20	Remainder of Off-System Sales Margin Allocated to Customers (Line 18 x Line 19)				960,070
21	Off-System Sales Margin Allocated to Customers (Line 17 + Line 20)				<u>\$1,960,070</u>

Note: ^(a) Line 10 - Line 6 ties to the Duke Energy Kentucky's FAC Filing Schedule 4, Line C.

^(b) Per the Commission's Order dated December 5, 2003, in Case No. 2003-00252.

DUKE ENERGY KENTUCKY
OFF-SYSTEM SALES SCHEDULE
PERIOD: TWELVE MONTHS ENDED DECEMBER 31, 2007

Line No.	Description	Total
1	Off-System Sales Revenue	
2	Asset Energy	(+) \$13,060,320
3	Non-Asset Energy	(+) 0
4	Bilateral Sales	(+) 27,930
5	Hedges	(+) 15,067
6	MISO RSG Make Whole Payments	(+) <u>5,100,845</u>
7	Sub-Total Revenues	<u>\$18,204,162</u>
8	Variable Costs Allocable to Off-System Sales	
9	Bilateral Purchases	(+) 0
10	Fuel Cost	(+) 10,711,079
11	Variable O&M Cost	(+) 698,025
12	SO ₂ Cost	(+) 888,849
13	NO _x Cost	(+) 9,965
14	MISO Costs	(+) <u>32,416</u>
15	Sub-Total Expenses	<u>\$12,340,334</u>
16	Total Off-System Sales Margin (Line 6 - Line 13)	(+) \$5,863,828
17	Allocated to Customers (guaranteed 100% of first \$1.0 million) ^(a)	(-) <u>1,000,000</u>
18	Sub-Total	(+) \$4,863,828
19	Percentage Allocated to Customers (50% of margins > \$1.0 million) ^(a)	50.00%
20	Remainder Allocated to Customers (Line 20 x Line 21)	<u>\$2,431,914</u>
21	Total Allocated to Customers (Line 17 + Line 22) ^(b)	(+) \$3,431,914
22	Net Margins on Sales of Emission Allowances	(+) 1,202,927
23	Prior Period Carryforward ^(b)	(+) 1,013,995
24	Amount Credited to Customers in 2007	(-) <u>6,250,741</u>
25	Remaining PSM Credit Due to Customers at 12/31/07	<u><u>(\$601,905)</u></u>

Note: ^(a) Per provisions included in the Commission's Order dated December 5, 2003, in Case No. 2003-00252.

^(b) Incremental change from prior filing is due to MISO resettlements

