

DUKE ENERGY KENTUCKY  
 CALCULATION OF RIDER PSM CREDIT FOR DECEMBER 2010- FEBRUARY 2011 BILLING

Line No.	Description	Billing Month												Total		
		Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10						
1	Off-System Sales Margin Allocated to Customers from 2010 (Schedule 2, Line 23)														(+)	\$1,882,763
2	Net Margins on Sales of Emission Allowances (Schedule 4, Line 9)														(+)	11,239
3	Prior Period Carry Forward (Schedule 3, Line 28)														(+)	21,462
4	Total Amount of Credits Owed to Customers															\$1,915,464
5	Actual Amount Credited to Customers	35,602	31,450	(17,422)	(16,848)	(16,601)	328,627	366,606	377,453	442,567	(-)					1,531,433
6	Net Refund due to (from) Customers															\$ 384,031
7	Sales (KWh) from FAC Filing July, August, and September 2010 (FAC Schedule 3, Line C)														+	1,171,661,472
8	Profit Sharing Mechanism Credit Rate (\$/kWh)															<u>0.000328</u>

Effective Date for Billing: December 1, 2010

Submitted by: \_\_\_\_\_

Title: \_\_\_\_\_

Date Submitted: \_\_\_\_\_

Lead Rates Analyst

October 29, 2010

**DUKE ENERGY KENTUCKY**  
**OFF-SYSTEM SALES SCHEDULE**  
**PERIOD: YEAR TO DATE - DECEMBER 31, 2010**

Schedule 2

Line No.	Description	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Total	
1	Off-System Sales Revenue											
2	Asset Energy	(+)	856,790	943,860	1,275,693	2,375,109	\$760,336	\$565,489	\$347,563	\$273,926	\$657,843	\$8,056,609
3	Non-Asset Energy	(+)	0	0	0	0	0	0	0	0	0	0
4	Bilateral Sales	(+)	0	0	0	0	0	0	0	0	0	0
5	Hedges	(+)	(536)	21,720	119,912	105,600	0	0	0	0	0	246,696
6	MISO RSG Make Whole Payments <sup>(a)</sup>	(+)	380,936	887,400	446,587	542,583	112,178	140,225	157,058	55,356	279,234	3,001,559
7	Capacity	(+)	118	119	70	780	1,019	998	2,209	74	483	5,870
8	Ancillary Services Market (Schedule 5, Line 13)	(+)	40,834	50,082	30,436	96,952	76,082	97,188	152,350	120,095	38,472	702,471
9	Sub-Total Revenues		\$1,278,142	\$1,903,181	\$1,872,698	\$3,121,024	\$949,595	\$803,900	\$659,180	\$449,453	\$976,032	\$12,013,205
10	Variable Costs Allocable to Off-System Sales											
11	Bilateral Purchases	(+)	\$0	\$0	\$937	\$0	\$0	\$0	\$0	\$0	\$0	\$937
12	Non-Native Fuel Cost <sup>(a)</sup>	(+)	1,004,010	1,210,023	1,473,261	2,278,693	703,683	583,134	49,211	329,485	869,972	8,501,472
13	Variable O&M Cost	(+)	60,186	63,547	99,666	193,296	60,265	43,100	2,499	26,565	67,300	616,444
14	SO <sub>2</sub> Cost	(+)	27,756	27,065	11,742	8,290	2,643	556	1,669	2,596	14,219	96,538
15	NO <sub>x</sub> Cost	(+)	0	0	0	0	664	221	120	136	641	1,782
16	MISO and Other Costs	(+)	3,084	3,403	6,232	9,631	3,863	2,102	1,099	1,093	0	30,507
17	Sub-Total Expenses		\$1,095,038	\$1,304,038	\$1,591,838	\$2,489,910	\$771,118	\$629,113	\$54,598	\$359,895	\$952,132	\$9,247,680
18	Off-System Sales Margin (Line 9 - Line 17)		\$183,104	\$599,143	\$280,860	\$631,114	\$178,477	\$174,787	\$604,582	\$89,558	\$23,900	\$2,765,525
19	Allocated to Customers (up to 100% of first \$1.00 million) <sup>(b)</sup>											1,000,000
20	Sub-Total (Line 18 - Line 19)											\$1,765,525
21	Percentage Allocated to Customers (50% of margins > \$1.00 million) <sup>(b)</sup>											50.00%
22	Remainder of Off-System Sales Margin Allocated to Customers (Line 20 x Line 21)											882,763
23	Off-System Sales Margin Allocated to Customers (Line 19 + Line 22)											\$1,882,763

Note: <sup>(a)</sup> Line 12 - Line 6 ties to the Duke Energy Kentucky's FAC Filing Schedule 4, Line C.  
<sup>(b)</sup> 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, 2009**

Line No.	Description	Total
1	<b>Off-System Sales Revenue</b>	
2	Asset Energy	(+ \$13,177,221)
3	Non-Asset Energy	(+ 0)
4	Bilateral Sales	(+ 216)
5	Hedges	(+ 0)
6	MISO RSG Make Whole Payments	(+ 4,196,943)
7	Capacity	(+ 709,403)
9	Ancillary Services Market	(+ <u>256,509</u> )
10	Sub-Total Revenues	<u>\$18,340,292</u>
11	<b>Variable Costs Allocable to Off-System Sales</b>	
12	Bilateral Purchases	(+ 0)
13	Fuel Cost	(+ 15,574,064)
14	Variable O&M Cost	(+ 968,569)
15	SO <sub>2</sub> Cost	(+ 531,143)
16	NO <sub>x</sub> Cost	(+ 9,333)
17	MISO Costs	(+ <u>61,732</u> )
18	Sub-Total Expenses	<u>\$17,144,841</u>
19	Total Off-System Sales Margin (Line 7 - Line 15)	(+ \$1,195,451)
20	Allocated to Customers (guaranteed 100% of first \$1.0 million) <sup>(a)</sup>	(-) <u>1,000,000</u>
21	Sub-Total	(+ \$195,451)
22	Percentage Allocated to Customers (50% of margins > \$1.0 million) <sup>(a)</sup>	50.00%
23	Remainder Allocated to Customers (Line 18 x Line 19)	<u>\$97,726</u>
24	Total Allocated to Customers (Line 17 + Line 20) <sup>(b)</sup>	(+ \$1,097,726)
25	Net Margins on Sales of Emission Allowances	(+ 21,640)
26	Prior Period Carryforward <sup>(b)</sup>	(+ (644,627))
27	Amount Credited to Customers in 2009	(-) <u>453,277</u>
28	Remaining PSM Credit Due to Customers at 12/31/09	<u><u>21,462</u></u>

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

<sup>(b)</sup> Incremental change from prior filing is due to MISO resettlements.

DUKE ENERGY KENTUCKY  
EMISSION ALLOWANCE SALES MARGIN  
PERIOD: YEAR TO DATE - DECEMBER 31, 2010

Line No.	Description	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Total
1	SO2 Sales Margin										
2	Proceeds	(+) \$0	\$0	\$0	\$11,239	\$0	\$0	\$0	\$0	\$0	\$11,239
3	Cost of Sale	(-) 0	0	0	0	0	0	0	0	0	0
4	Margin	0	0	0	11,239	0	0	0	0	0	11,239
5	NOx Sales Margin										
6	Proceeds	(+) \$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7	Cost of Sale	(-) 0	0	0	0	0	0	0	0	0	0
8	Margin	0	0	0	0	0	0	0	0	0	0
9	Total EA Sales Margin (Line 4 + Line 8)	0	0	0	11,239	0	0	0	0	0	11,239

DUKE ENERGY KENTUCKY  
 ANCILLARY SERVICES MARKET  
 PERIOD: YEAR TO DATE - DECEMBER 31, 2010

Line No.	Description	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Total
1	DA Regulation	\$8,731	\$0	\$31,687	\$33,667	\$13,729	\$11,654	\$11,689	\$17,611	\$24,825	\$153,593
2	DA Spinning	\$1,632	\$528	\$4,387	\$5,736	\$184	\$1,104	\$898	\$245	\$1,490	\$16,204
3	RT Regulation	\$31,225	\$29,370	\$10,142	\$19,273	\$18,942	\$42,594	\$83,422	\$68,717	\$11,010	\$314,695
4	RT Spinning	\$66,225	\$89,017	\$41,182	\$49,474	\$55,139	\$65,993	\$149,902	\$110,502	\$21,346	\$648,780
5	DA Supplemental	\$0	\$0	\$17,490	\$83,777	\$83,452	\$30,029	\$54,163	\$77,517	\$20,601	\$367,029
6	RT Supplemental	\$981	\$24	(\$6,397)	(\$33,092)	(\$32,752)	\$1,555	(\$78,519)	(\$81,923)	(\$3,053)	(\$233,176)
7	MISO Net Reg Adj Amt	\$1,385	\$1,286	\$1,270	\$479	(\$3,027)	\$2,520	(\$6,795)	(\$13,989)	\$601	(\$16,270)
8	MISO Reg Dist	(\$34,933)	(\$31,915)	(\$27,493)	(\$26,699)	(\$28,820)	(\$29,547)	(\$31,516)	(\$29,896)	(\$20,881)	(\$261,700)
9	MISO Reg Penalty	(\$121)	\$0	(\$10)	(\$324)	(\$63)	(\$298)	(\$162)	(\$302)	(\$117)	(\$1,397)
10	MISO Spin Dist	(\$32,217)	(\$32,822)	(\$25,497)	(\$21,657)	(\$18,071)	(\$19,333)	(\$22,730)	(\$19,699)	(\$12,231)	(\$204,257)
11	MISO Supp Dist	(\$2,074)	(\$5,406)	(\$16,325)	(\$13,682)	(\$12,651)	(\$9,083)	(\$8,002)	(\$8,688)	(\$5,119)	(\$81,030)
12	MISO Res Dep Penalty	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	Total	\$40,834	\$50,082	\$30,436	\$96,952	\$76,062	\$97,188	\$152,350	\$120,095	\$38,472	\$702,471

Note: Per the Commission Order dated January 30, 2009, in Case No 2008-00489