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Dana Patten
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VIA OVERNIGHT DELIVERY

July 31, 2009

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

JUL 30 2009

**PUBLIC SERVICE
COMMISSION**

Dear Mr. Derouen:

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 September 2009, 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,

Dana Patten

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 September 2009. (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:

Issued by: Julie Janson, President

Effective: August 31, 2009

<u>Rate Group</u>	<u>Rate</u> (\$/ kWh)	
Rate RS, Residential Service	0.000241	(R)
Rate DS, Service at Secondary Distribution Voltage	0.000241	(R)
Rate DP, Service at Primary Distribution Voltage	0.000241	(R)
Rate DT, Time-of-Day Rate for Service at Distribution Voltage	0.000241	(R)
Rate EH, Optional Rate for Electric Space Heating	0.000241	(R)
Rate GS-FL, General Service Rate for Small Fixed Loads	0.000241	(R)
Rate SP, Seasonal Sports Service	0.000241	(R)
Rate SL, Street Lighting Service	0.000241	(R)
Rate TL, Traffic Lighting Service	0.000241	(R)
Rate UOLS, Unmetered Outdoor Lighting	0.000241	(R)
Rate OL, Outdoor Lighting Service	0.000241	(R)
Rate NSU, Street Lighting Service for Non-Standard Units	0.000241	(R)
Rate NSP, Private Outdoor Lighting Service for Non-Standard Units	0.000241	(R)
Rate SC, Street Lighting Service – Customer Owned	0.000241	(R)
Rate SE, Street Lighting Service – Overhead Equivalent	0.000241	(R)
Rate TT, Time-of-Day Rate for Service at Transmission Voltage	0.000241	(R)
Other	0.000241	(R)

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.

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