



139 East Fourth Street  
P. O. Box 960  
Cincinnati, Ohio 45201-0960  
Tel: 513-419-6954  
Fax: 513-419-6948  
[Lisa.Steinkuhl@duke-energy.com](mailto:Lisa.Steinkuhl@duke-energy.com)

RECEIVED

APR 30 2009

Lisa Steinkuhl  
Lead Rates Analyst

VIA OVERNIGHT DELIVERY

PUBLIC SERVICE  
COMMISSION

April 30, 2009

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

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 June 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,

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 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 31<sup>st</sup> 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: ~~February 23, 2009~~

Effective: June 2, 2009

Issued by: Julie Janson, President

<u>Rate Group</u>	<u>Rate</u> (\$/ kWh)	
Rate RS, Residential Service	(0.000048)	(R)
Rate DS, Service at Secondary Distribution Voltage	(0.000048)	(R)
Rate DP, Service at Primary Distribution Voltage	(0.000048)	(R)
Rate DT, Time-of-Day Rate for Service at Distribution Voltage	(0.000048)	(R)
Rate EH, Optional Rate for Electric Space Heating	(0.000048)	(R)
Rate GS-FL, General Service Rate for Small Fixed Loads	(0.000048)	(R)
Rate SP, Seasonal Sports Service	(0.000048)	(R)
Rate SL, Street Lighting Service	(0.000048)	(R)
Rate TL, Traffic Lighting Service	(0.000048)	(R)
Rate UOLS, Unmetered Outdoor Lighting	(0.000048)	(R)
Rate OL, Outdoor Lighting Service	(0.000048)	(R)
Rate NSU, Street Lighting Service for Non-Standard Units	(0.000048)	(R)
Rate NSP, Private Outdoor Lighting Service for Non-Standard Units	(0.000048)	(R)
Rate SC, Street Lighting Service – Customer Owned	(0.000048)	(R)
Rate SE, Street Lighting Service – Overhead Equivalent	(0.000048)	(R)
Rate TT, Time-of-Day Rate for Service at Transmission Voltage	(0.000048)	(R)
Other	(0.000048)	(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.

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

Issued: ~~February 23, 2009~~

Effective: June 2, 2009

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DUKE ENERGY KENTUCKY  
CALCULATION OF RIDER PSM CREDIT FOR JUNE 2009- AUGUST 2009 BILLING

Line No.	Description	Billing Month			Total
		Jan-09	Feb-09	Mar-09	
1	Off-System Sales Margin Allocated to Customers from 2009 (Schedule 2, Line 21)			(+) \$	1,094,601
2	Net Margins on Sales of Emission Allowances (Schedule 4, Line 9)			(+)	0
3	Prior Period Carryforward (Schedule 3, Line 25)			(+)	(619,782)
4	Total Amount of Credits Owed to Customers			\$	474,819
5	Actual Amount Credited to Customers	345,702	320,500	(144,984)	521,218
6	Net Refund due to (from) Customers			\$	(46,399)
7	Sales (kWh) from FAC Filing January, February, March 2009 (FAC Schedule 3, Line C)			+	976,667,694
8	Profit Sharing Mechanism Credit Rate (\$/kWh)				(0.000048)

Effective Date for Billing: June 2, 2009

Submitted by: 

Title: Lead Rates Analyst

Date Submitted: April 30, 2009

**DUKE ENERGY KENTUCKY**  
**OFF-SYSTEM SALES SCHEDULE**  
**PERIOD: YEAR TO DATE - DECEMBER 31 2009**

Line No.	Description	Jan-09	Feb-09	Mar-09	Total
1	Off-System Sales Revenue				
2	Asset Energy	(+)	1,518,112	2,172,478	\$4,362,304
3	Non-Asset Energy	(+)	0	0	0
4	Bilateral Sales	(+)	216	0	216
5	Hedges	(+)	0	0	0
6	MISO RSG Make Whole Payments <sup>(a)</sup>	(+)	636,512	829,839	2,760,137
7	Ancillary Services Market (Schedule 5, Line 9)	(+)	4,304	(2,560)	30,688
8	Sub-Total Revenues Sales (kWh) from FAC Filing January, February, March 2009		<u>\$1,312,746</u>	<u>\$2,999,737</u>	<u>\$7,153,345</u>
9	Variable Costs Allocable to Off-System Sales				
10	Bilateral Purchases	(+)	\$8,390	\$0	\$8,390
11	Non-Native Fuel Cost <sup>(a)</sup>	(+)	926,934	2,849,224	5,588,701
12	Variable O&M Cost	(+)	38,781	138,430	273,795
13	SO <sub>2</sub> Cost	(+)	23,181	4,982	76,660
14	NO <sub>x</sub> Cost	(+)	0	0	0
15	MISO and Other Costs	(+)	1,726	9,482	16,598
16	Sub-Total Expenses		<u>\$998,012</u>	<u>\$3,002,118</u>	<u>\$5,964,144</u>
17	Off-System Sales Margin (Line 7 - Line 15)		\$313,734	(\$2,381)	\$1,189,201
18	Allocated to Customers (up to 100% of first \$1.00 million) <sup>(b)</sup>				<u>1,000,000</u>
19	Sub-Total (Line 16 - Line 17)				<u>\$189,201</u>
20	Percentage Allocated to Customers (50% of margins > \$1.00 million) <sup>(b)</sup>				<u>50.00%</u>
21	Remainder of Off-System Sales Margin Allocated to Customers (Line 18 x Line 19)				<u>94,601</u>
22	Off-System Sales Margin Allocated to Customers (Line 17 + Line 20)				<u>\$1,094,601</u>

Note: <sup>(a)</sup> Line 10 - 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, 2008**

Line No.	Description	Total
1	<b>Off-System Sales Revenue</b>	
2	Asset Energy	(+) \$14,263,010
3	Non-Asset Energy	(+) 0
4	Bilateral Sales	(+) 37,704
5	Hedges	(+) (185,439)
6	MISO RSG Make Whole Payments	(+) <u>7,572,814</u>
7	Sub-Total Revenues	<u>\$21,688,089</u>
8	<b>Variable Costs Allocable to Off-System Sales</b> Sales (kWh) from FAC Filing January, February, March 2009	
9	Bilateral Purchases	(+) 0
10	Fuel Cost	(+) 12,200,250
11	Variable O&M Cost	(+) 655,229
12	SO <sub>2</sub> Cost	(+) 379,960
13	NO <sub>x</sub> Cost	(+) 0
14	MISO Costs	(+) <u>31,167</u>
15	Sub-Total Expenses	<u>\$13,266,606</u>
16	Total Off-System Sales Margin (Line 6 - Line 13)	(+) \$8,421,483
17	Allocated to Customers (guaranteed 100% of first \$1.0 million) <sup>(a)</sup>	(-) <u>1,000,000</u>
18	Sub-Total	(+) \$7,421,483
19	Percentage Allocated to Customers (50% of margins > \$1.0 million) <sup>(a)</sup>	50.00%
20	Remainder Allocated to Customers (Line 20 x Line 21)	<u>\$3,710,742</u>
21	Total Allocated to Customers (Line 17 + Line 22) <sup>(b)</sup>	(+) \$4,710,742
22	Net Margins on Sales of Emission Allowances	(+) 148,946
23	Prior Period Carryforward <sup>(b)</sup>	(+) (599,372)
24	Amount Credited to Customers in 2008	(-) <u>4,880,098</u>
25	Remaining PSM Credit Due to Customers at 12/31/08	<u>(619,782)</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  
 ANCILLARY SERVICES MARKET  
 PERIOD: YEAR TO DATE - DECEMBER 31, 2009

Line No.	Description	Jan-09	Feb-09	Mar-09	Total
1	DA Spinning	\$25,945	\$8,179	\$6,450	\$40,574
2	RT Regulation	19,186	13,123	16,716	49,025
3	RT Spinning	59,974	67,544	21,853	149,371
4	MISO Net Reg Adj Amt	(208)	(501)	476	(233)
5	MISO Reg Dist	(58,559)	(33,314)	(34,720)	(126,593)
6	MISO Reg Penalty	(1,560)	(961)	(1,538)	(4,059)
7	MISO Spin Dist	(39,067)	(23,817)	(10,512)	(73,396)
8	MISO Supp Dist	(1,407)	(1,289)	(1,305)	(4,001)
9	Total	<u>\$4,304</u>	<u>\$28,964</u>	<u>(\$2,580)</u>	<u>\$30,688</u>