

**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 2016. (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 ancillary services, the net profits on sales of emission allowances and net margins on capacity transactions related to the acquisition of 100% of East Bend Unit 2.

The Company will compute its profits on off-system power sales and ancillary services, profits on emission allowance sales, and net margins on capacity transactions related to the acquisition of 100% of East Bend Unit 2 in the following manner:

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

where:

- P = Eligible profits from off-system power sales for applicable month sharing provisions established by the Commission in its Order in Case No. 2003-00252, dated December 5, 2003.
- A = All net profits related to its provision of ancillary services in markets administered by PJM per the Commission's Order in Case No. 2008-00489, dated January 30, 2009.

The first \$1 million in annual profits from off-system sales and ancillary services will be allocated to ratepayers, with any profits in excess of \$1 million split 75:25, with ratepayers receiving 75 percent and shareholders receiving 25 percent per the Commission Order in Case No. 2010-00203, dated December 22, 2010. After December 31st of each year, the sharing mechanism will be reset for off-system power sales. Each month the sharing mechanism will be reset for the ancillary service profits.

- E = All net profits on sales of emission allowances are credited to customers per the Commission's Order in Case No. 2006-00172, dated December 21, 2006.

- C = Capacity revenue received from PJM associated with DP&L's share of East Bend capacity that DP&L has committed in PJM's base residual auction ("BRA") through May 31, 2018, less the cost incurred by Duke Energy Kentucky to procure sufficient capacity to meet its obligations as a Fixed Resource Requirement entity under the Reliability Assurance Agreement

Issued by authority of an Order of the Kentucky Public Service Commission dated December 4, 2014 in Case No. 2014-0020

Issued: May 2, 2016

Effective: June 1, 2016

Issued by: James P. Henning, President /s/ James P. Henning

CANCELLED
AUG 30 2016
KENTUCKY PUBLIC SERVICE COMMISSION

KENTUCKY PUBLIC SERVICE COMMISSION
Aaron D. Greenwell
ACTING EXECUTIVE DIRECTOR
LAFAYETTE BRANCH
Brent Kirtley
EFFECTIVE
6/1/2016
PURSUANT TO 807 KAR 5.011 SECTION 9 (1)

Duke Energy Kentucky, Inc.
4580 Olympic Blvd
Erlanger, KY 41018

KY.P.S.C. Electric No. 2
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with PJM per the Commission's Order in Case No. 2014-00201, dated December 4, 2014.

The net of capacity revenue received from PJM and the capacity cost incurred by Duke Energy Kentucky will be allocated to ratepayers, with ratepayers receiving 75 percent and shareholders receiving 25 percent.

- 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.

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<u>Rate Group</u>	<u>Rate</u> (\$/ kWh)	
Rate RS, Residential Service	(0.000080)	(I)
Rate DS, Service at Secondary Distribution Voltage	(0.000080)	(I)
Rate DP, Service at Primary Distribution Voltage	(0.000080)	(I)
Rate DT, Time-of-Day Rate for Service at Distribution Voltage	(0.000080)	(I)
Rate EH, Optional Rate for Electric Space Heating	(0.000080)	(I)
Rate GS-FL, General Service Rate for Small Fixed Loads	(0.000080)	(I)
Rate SP, Seasonal Sports Service	(0.000080)	(I)
Rate SL, Street Lighting Service	(0.000080)	(I)
Rate TL, Traffic Lighting Service	(0.000080)	(I)
Rate UOLS, Unmetered Outdoor Lighting	(0.000080)	(I)
Rate OL, Outdoor Lighting Service	(0.000080)	(I)
Rate NSU, Street Lighting Service for Non-Standard Units	(0.000080)	(I)
Rate NSP, Private Outdoor Lighting Service for Non-Standard Units	(0.000080)	(I)
Rate SC, Street Lighting Service – Customer Owned	(0.000080)	(I)
Rate SE, Street Lighting Service – Overhead Equivalent	(0.000080)	(I)
Rate TT, Time-of-Day Rate for Service at Transmission Voltage	(0.000080)	(I)
Other	(0.000080)	(I)

Rider PSM credits, reductions to bills, are shown as positive numbers without parentheses. Rider PSM charges, increases to bills, are shown in parentheses.

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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