

DSM Advisory Group Meeting

October 13, 2016



Agenda

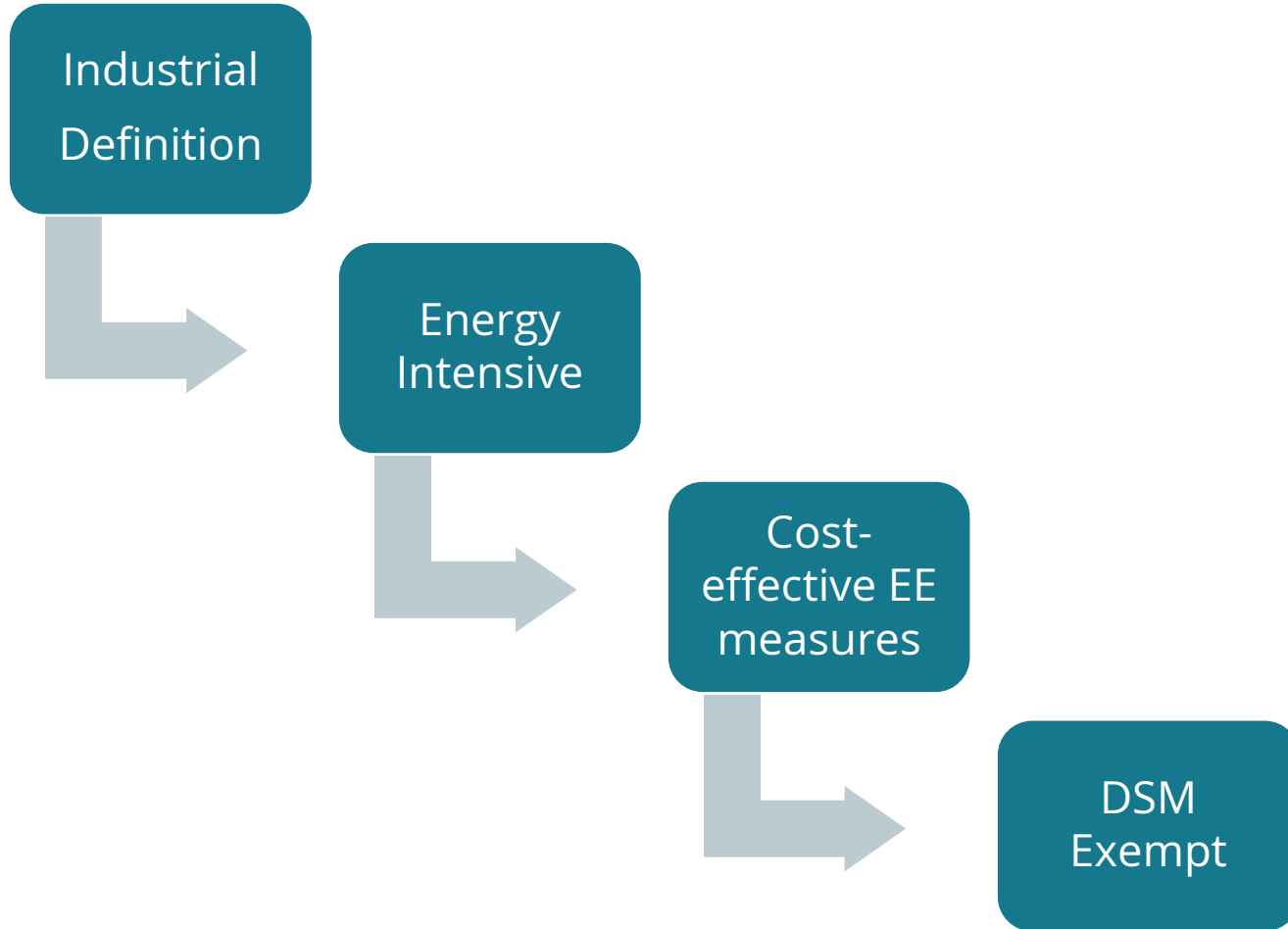
- Welcome/Introductions
- Review of Kentucky state law regarding opt-out
- DSM Opt-out criteria proposal to meet KRS 278.285
 - “Industrial” definition
 - “energy intensive” definition
 - Implementing cost effective energy efficiency measures
- Next steps

Opt-out Current Kentucky State Law: KRS 278.285

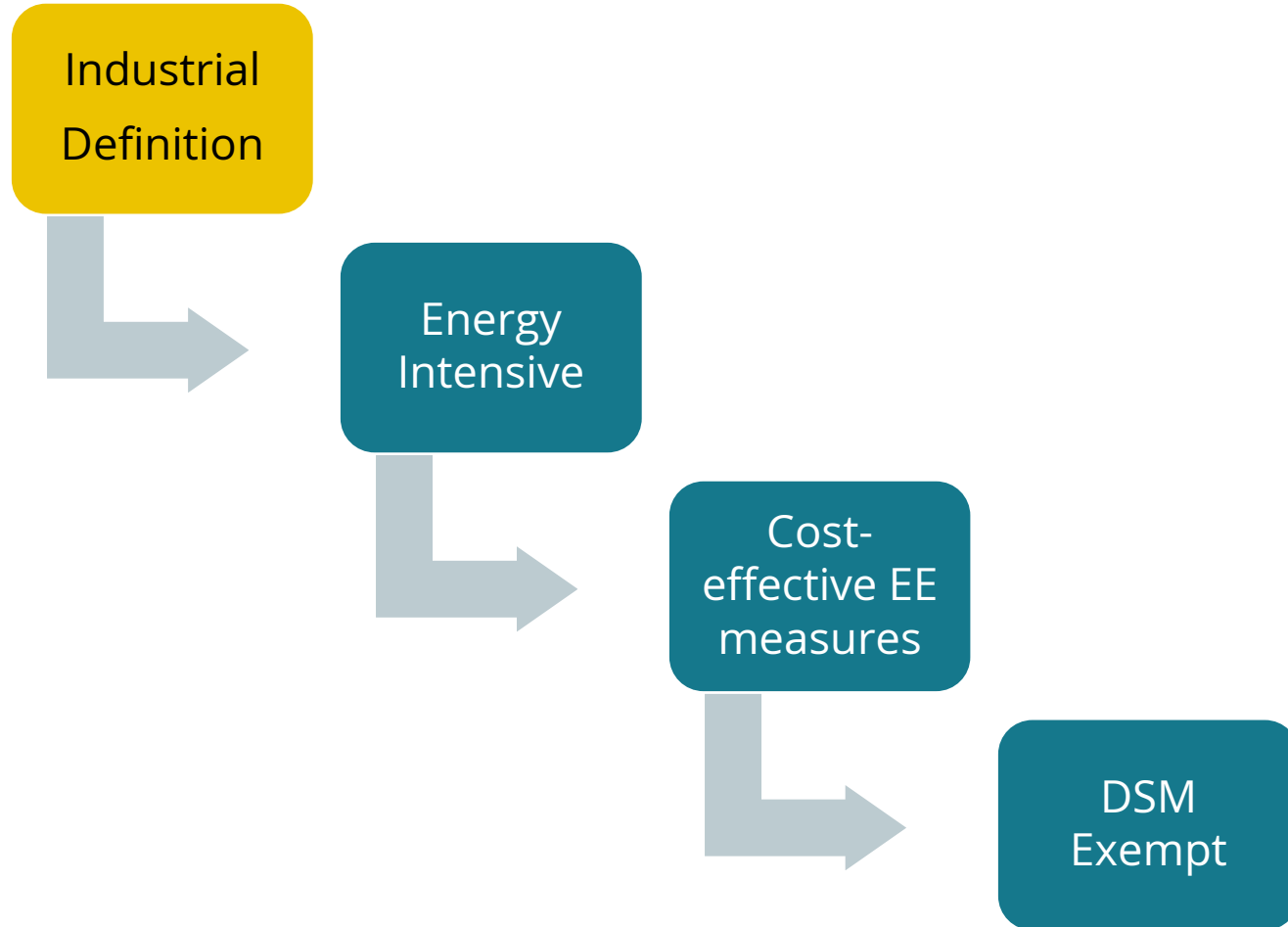
- (3) The commission shall assign the cost of demand-side management programs only to the class or classes of customers which benefit from the programs. The commission shall allow individual **industrial customers** with **energy intensive processes** to implement **cost-effective energy efficiency measures** in lieu of measures approved as part of the utility's demand-side management programs if the alternative measures by these customers are not subsidized by other customer classes. Such individual industrial customers shall not be assigned the cost of demand-side management programs.

Emphasis added

Steps to DSM exemption: KRS 278.285



Steps to DSM exemption: KRS 278.285



Industrial definition for LG&E-KU Electric

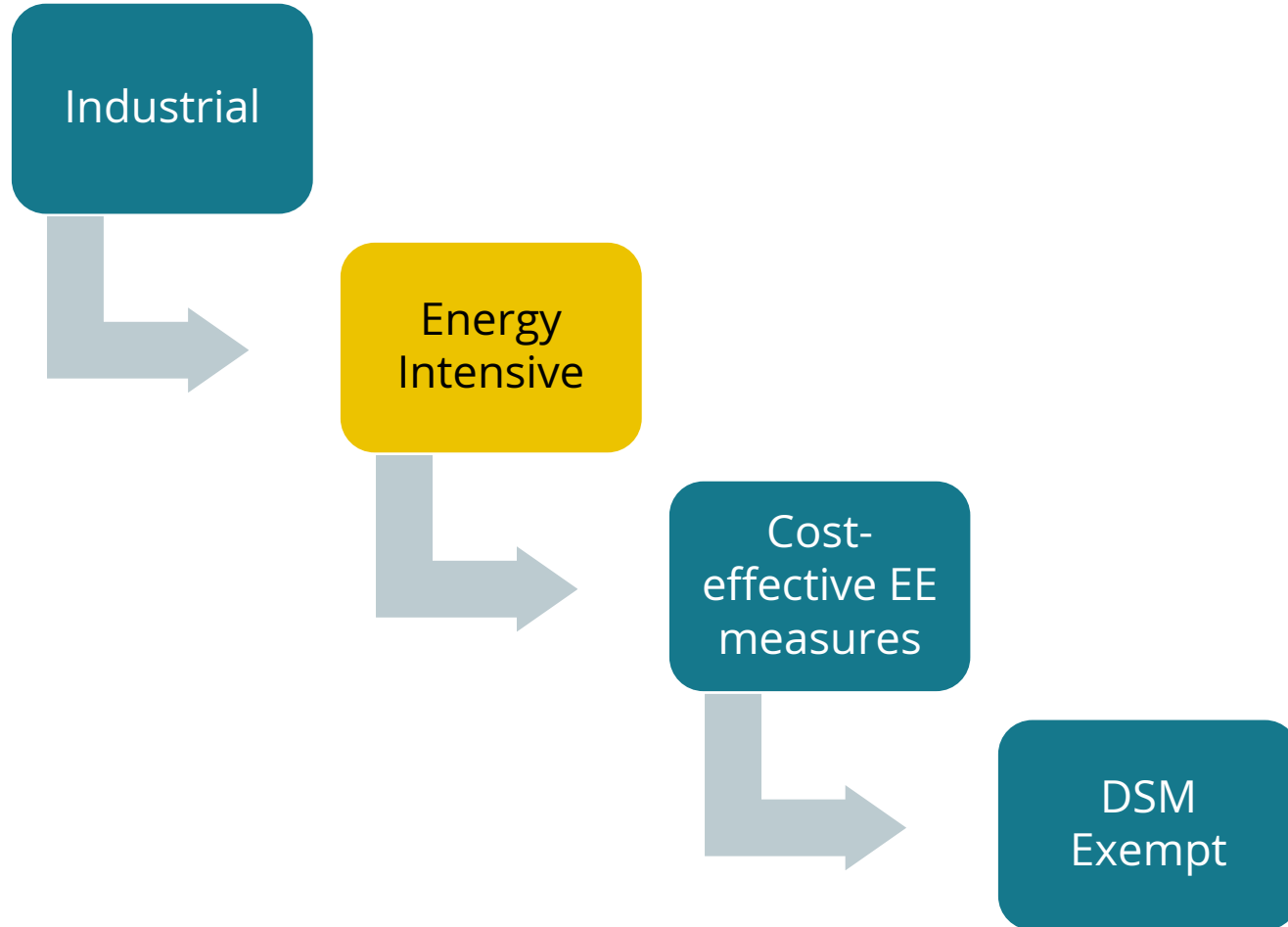
Current

- “[N]on-residential customers will be considered ‘industrial’ if they are primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product, and/or in accordance with the North American Industry Classification System, Sections 21, 22, 31, 32, and 33.”

Proposed

- “[N]on-residential customers will be considered ‘industrial’ if they are engaged in activities primarily using electricity in a process or processes which either involve the extraction of raw materials from the earth or a change of raw or unfinished materials into another form or product.”

Steps to DSM exemption: KRS 278.285



Use rate level (tariff) to determine energy intensity

Advantages for customers and the company

- Simplifies process of determining “energy intensive”
 - Rate determines intensity level
 - Aligns with tariffs designed for large energy needs
 - Eliminates subjectivity related to setting a MW limit
 - Allows the customer to readily determine if they qualify for the “energy intensive” portion of the exemption under the statute – Tariff is stated on the customer’s bill
 - Simplifies DSM Program management – improves program delivery for customers.

Tariffs for non-residential consumption

- Specific tariffs
 - GS: 12 month average monthly demand <50 kW (secondary)
 - PS: 12 month average monthly demand 50 – 250 kW (secondary)
0 – 250 kW (primary)
 - TOD Secondary: 12 month average monthly demand 250 kW – 5,000 kW
 - TOD Primary: 12 month average monthly minimum demand > 250 kVA
 - RTS: Transmission service, 12 month average monthly minimum demand > 250 kVA
 - FLS: fluctuating with monthly demand > 20 MVA

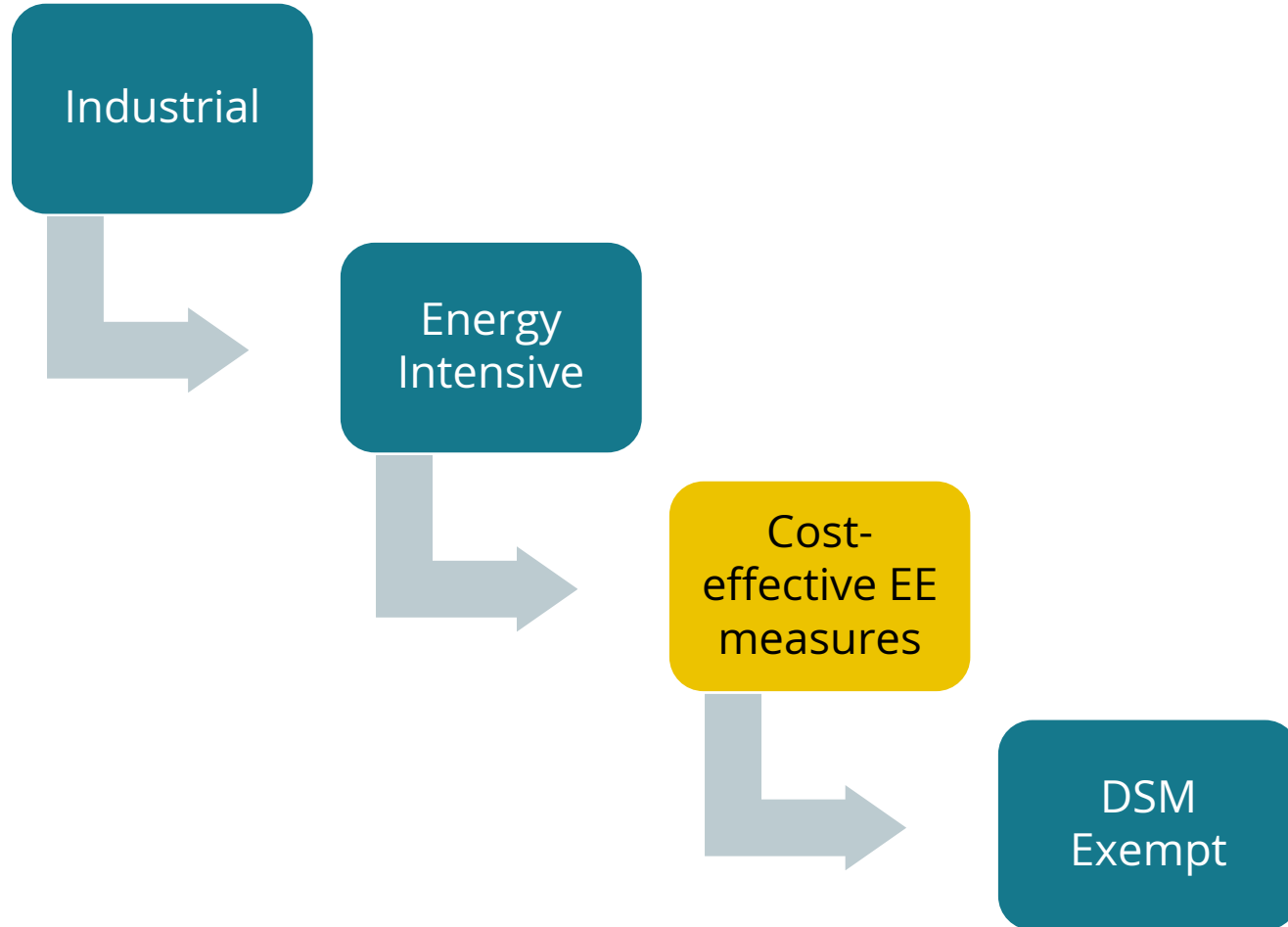
Current characteristics of industrial customers by tariff

	Average of kW or kVA	Max of kW or kVA	Min of kW or kVA	Average of FC Annual kWh	Number of Contracts
GS	178	888	49	372,094	255
PS Sec	234	1,939	51	882,869	460
PS Pri	336	2,470	58	1,030,353	44
TODS	707	2,645	52	3,587,564	285
TODP	3,831	76,238	250	19,751,749	219
RTS & FLS	15,487	192,168	250	71,071,776	40

Current characteristics of industrial customers by tariff – energy intensive

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Steps to DSM exemption: KRS 278.285



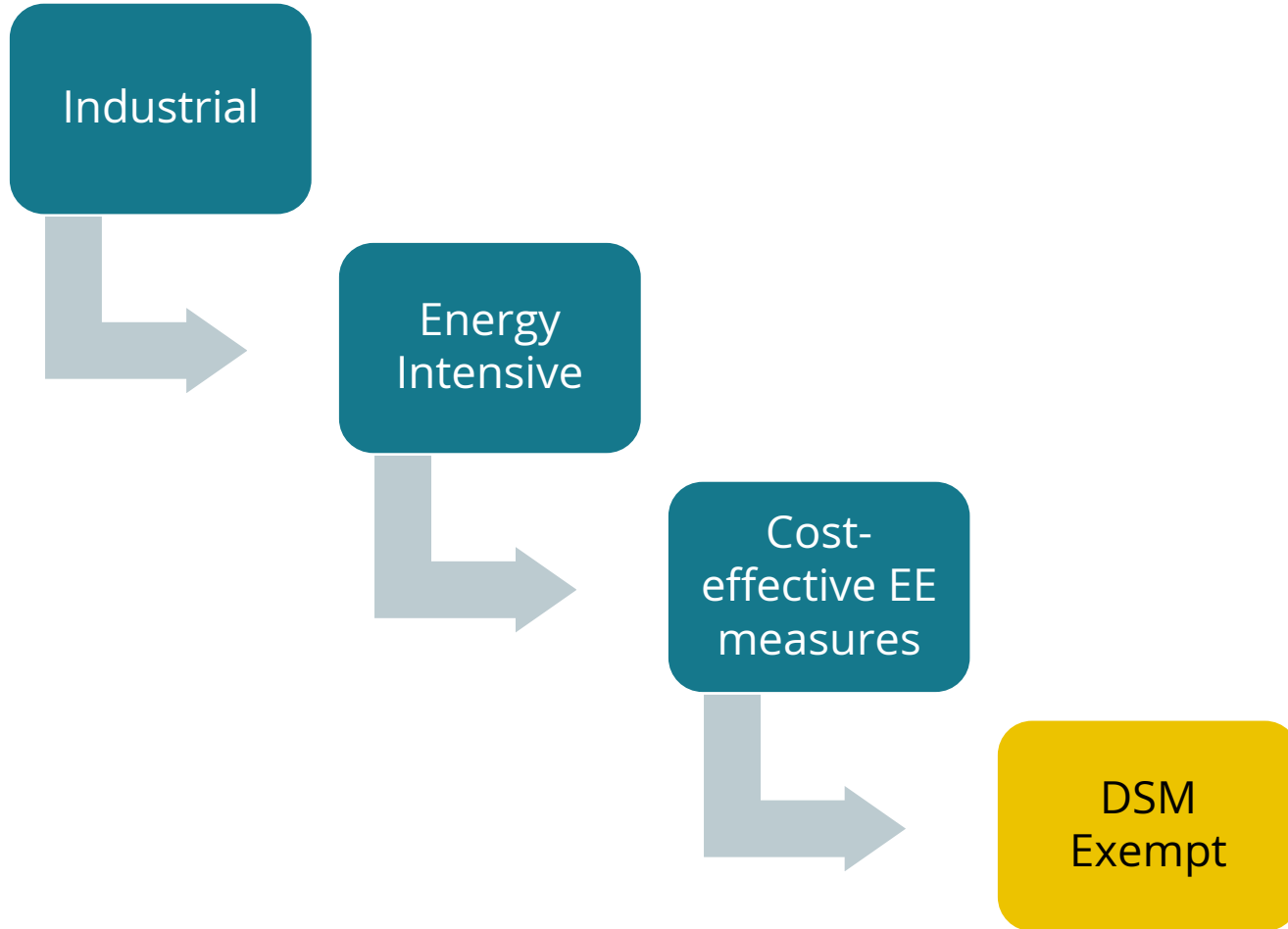
Implementing Cost Effective Energy Efficiency Measures

- Any industrial customer that wants to opt-out of DSM and meets both the industrial and energy intensive definitions would provide a letter to LG&E or KU on their company letter head or fill out a form online that would include the following:
 - Account number with meter or copy of the bill stating that the energy used through this meter is for the purposes of converting raw or unfinished materials into another form or product or extracting raw materials from the earth.
 - Positively state that they invested in energy efficiency measures with details about what was completed.

Implementing Cost Effective Energy Efficiency Measures

- Request that their meter or account be excluded from DSM charges
- With Company receipt of letter or form and validation of appropriate rate for “energy intensive”, an industrial customer would be excluded from DSM charges until the same industrial customer elects to participate at some point in the future.
- Any industrial customer who opts out of the DSM program and subsequently elects to participate in utility DSM programs, and thus pay DSM charges, will not be allowed to exercise an opt-out for a period of three years from the time they commence participation.

Steps to DSM exemption: KRS 278.285



In Summary

Advantages for customers and company

- Industrial definition clarifies the identification of an industrial customer.
- Tariff simplifies process of determining “energy intensive”
 - Rate determines intensity level
 - Aligns with tariffs designed for large energy needs
 - Eliminates subjectivity
- Determination of “implementing energy efficiency measures”
 - Letter or form stating customer meets the criteria and has installed cost-effective measures
- Residential and non-residential classification simplifies implementing DSM Programing

Next steps

- Next meeting – early 2017
- Review planning and timeline for next EE filing – target February 2018

Appendix

Current DSM Exemption Language

Same language for LG&E and KU

P.S.C. No. 17, Original Sheet No. 86, Section “AVAILABILITY OF SERVICE”

- Industrial customers who elect not to participate in a demand-side management program hereunder shall not be assessed a charge pursuant to this mechanism. For purposes of rate application hereunder, non-residential customers will be considered “industrial” if they are primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product, and/or in accordance with the North American Industry Classification System, Sections 21, 22, 31, 32, and 33. All other nonresidential customers will be defined as “commercial.”