VERIFICATION

STATE OF OHIO)
) **SS:**
COUNTY OF HAMILTON)

The undersigned, Thomas Wiles, Director Analytics, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

Thomas Wiles, Affiant

Subscribed and sworn to before me by Thomas Wiles on this 26TH day of SEPTEMBER, 2017.

ADELE M. FRISCH
Notary Public, State of Ohio
My Commission Expires 01-05-2019

Adele M. Frisch
NOTARY PUBLIC

My Commission Expires: 1/5/2019

VERIFICATION

STATE OF OHIO)
) **SS:**
COUNTY OF HAMILTON)

The undersigned, Trisha Haemmerle, Senior Strategy & Collaboration Manager, being duly sworn, deposes and says that she has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of her knowledge, information and belief.

Trisha Haemmerle, Affiant

Subscribed and sworn to before me by Trisha Haemmerle on this 27TH day of SEPTEMBER, 2017.

Adele M. Frisch
NOTARY PUBLIC

ADELE M. FRISCH
Notary Public, State of Ohio
My Commission Expires 01-05-2019

My Commission Expires: 1/5/2019

VERIFICATION

STATE OF NORTH CAROLINA)
) **SS:**
COUNTY OF MECKLENBURG)

The undersigned, Scott Park, being duly sworn, deposes and says that he is the Director of Integrated Resource Planning & Analytics - Midwest, and that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

____
Scott Park, Affiant

Subscribed and sworn to before me by Scott Park, on this 28th day of Sept., 2017.

MURIEL B. SPEAR NOTARY PUBLIC MECKLENBURG COUNTY, NC

____
NOTARY PUBLIC

My Commission Expires: Oct. 20, 2018

VERIFICATION

STATE OF NORTH CAROLINA)
) **SS:**
COUNTY OF MECKLENBURG)

The undersigned, Scott Burnside, Manager Post Analyst & Regulatory Support, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests are true and correct to the best of his knowledge, information and belief.

Scott Burnside
Scott Burnside, Affiant

Subscribed and sworn to before me by Scott Burnside on this 28th day of September, 2017.

KATIE JAMIESON
Notary Public, North Carolina
Gaston County
My Commission Expires

Katie Jamieson
NOTARY PUBLIC

My Commission Expires: June 14, 2021

VERIFICATION

STATE OF OHIO)
) **SS:**
COUNTY OF HAMILTON)

The undersigned, William Don Wathen Jr., Director of Rates & Regulatory Strategy - OH/KY, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

William Don Wathen Jr., Affiant

Subscribed and sworn to before me by William Don Wathen Jr. on this 6th day of October, 2017.

NOTARY PUBLIC

My Commission Expires: July 8, 2022

NOTARY PUBLIC
STATE OF OHIO

E. MINNA ROLFES-ADKINS
Notary Public, State of Ohio
My Commission Expires
July 8, 2022

VERIFICATION

STATE OF OHIO	)	
	)	**SS:**
COUNTY OF HAMILTON	)	

The undersigned, James Ziolkowski, Director of Rates & Regulatory Planning, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

James E. Ziolkowski
James Ziolkowski, Affiant

Subscribed and sworn to before me by James Ziolkowski on this 26TH day of SEPTEMBER, 2017.

Adele M. Frisch
NOTARY PUBLIC

ADELE M. FRISCH
Notary Public, State of Ohio
My Commission Expires 01-05-2019

My Commission Expires: 1/5/2019

KyPSC Case No. 2017-00324
TABLE OF CONTENTS

Duke Energy Kentucky
Case No. 2017-00324
Attorney General's First Set Data Requests
Date Received: September 22, 2017

AG-DR-01-001

REQUEST:

Refer to Table 4-A, p. 20, of Duke' 2014 Integrated Resource Plan ("IRP") and Petition, filed on July 31, 2014 in Case No. 2014-00273. Provide the actual amounts for the categories listed in the table for years 2014-2016. For any actual amount in any category that is a difference of more than 5% than the project amount, provide an explanation as to the deviation.

RESPONSE:

Objection. This request is overbroad, unduly burdensome and irrelevant. Objecting further, the information does not exist in the manner requested. Further, the Company objects to providing the actual contribution to the system peak for the EE programs (labeled as "EE Impacts – MW in Table 4-A) for these years because the information does not exist.

Without waiving said objections and to the extent discoverable, please see the Attachment AG-DR-01-001 for a comparison of actual amounts to those included in the referenced IRP table. The Company maintains that it is not appropriate to compare the projections in the 2014 IRP document, which represents the conditions that existed at that point in time, to the actual performance of a dynamic portfolio which is dependent on customer behavior as well as advances in EE technologies and other program offerings that could not have been reasonably anticipated at the time of the IRP projections.

As shown in ATTACHMENT AG-DR-01-001, the Actual EE Impacts – KWh are significantly higher than those projected in the 2014.

In the 2012 status update filing, Case No. 2012-00495[1], the Commission Ordered that Duke Energy Kentucky file any DSM program evaluations, proposed program expansion(s), or new programs in a separate filing due each year by August 15th. Duke Energy Kentucky filed the first amendment filing in 2013 and has continued to meet this requirement through 2017 within the current proceeding[2]. Duke Energy Kentucky was also granted a limited automatic approval process for cost effective pilot programs and measure inclusion that are not greater than $75,000.

Duke Energy Kentucky has utilized these filings and the automatic approval to keep the portfolio updated to meet changing market conditions. Since 2013, the Company has implemented a number of Commission approved portfolio changes such as new measures to existing programs as well as offering new programs to both residential and non-residential customers.

The ability for the Company to update and enhance its DSM portfolio on an annual basis has allowed it to react to market conditions and better meet customer demand, which in turn has allowed the portfolio to deliver more cost effective DSM impacts than the 5% included in the initial projections.

PERSON RESPONSIBLE: Tom Wiles/Trisha Haemmerle
As to Objection: Legal

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[1] *In the Matter of the Application of Duke Energy Kentucky, Inc. for the Annual Cost Recovery Filing for Demand Side Management,* Case No. 2012-00495.

[2] Case No. 2014-00280 approved on January 28, 2015; Case No. 2015-00277 approved on February 12, 2016; Case No. 2016-00289 approved on January 24, 2017; and Case No. 2017-00324 pending approval.

1. Refer to Table 4-A, p. 20, of Duke's 2014 Integrated Resource Plan ("IRP") and Petition, filed on July 31, 2014 in Case No. 2014-00273. Provide the actual amounts for the categories listed in the table for years 2014-2016. For any actual amount in any category that is a difference of more than 5% than the projected amount, provide an explanation as to the deviation.

Table 4-A
Projected DSM Impacts

			DR Impacts - MW			Total DSM Impacts - MW
Year	**EE Impacts - MWh**	**EE Impacts - MW**	**Power Share**	**Power Manager**	**Total**	**Total**
2014	20,291	2.4	21.3	11.2	32.5	34.9
2015	41,924	6.3	14.7	11.9	26.6	32.9
2016	64,858	10.6	16.9	12.1	29.0	39.6

Actual DSM Impacts

			DR Impacts - MW			Total DSM Impacts - MW
Year	**EE Impacts - MWh**	**EE Impacts - MW**	**Power Share**	**Power Manager**	**Total**	**Total**
2014	33,366	N/A*	22.3	11.5	33.8	N/A*
2015	57,702	N/A*	25.0	11.8	36.9	N/A*
2016	92,905	N/A*	18.1	12.5	30.6	N/A*

% Difference

			DR Impacts - MW			Total DSM Impacts - MW
Year	**EE Impacts - MWh**	**EE Impacts - MW**	**Power Share**	**Power Manager**	**Total**	**Total**
2014	64%	N/A*	5%	3%	4%	N/A*
2015	38%	N/A*	70%	-1%	39%	N/A*
2016	43%	N/A*	7%	4%	6%	N/A*

* The Company is unable to provide the actual EE Impacts - MW values because this information does not exist

AG-DR-01-002

REQUEST:

Refer to the IRP in Case No. 2014-00273. The Company noted that its annual planning reserve margin was 13.7% percent.

a. Has this planning reserve margin changed since the Company's 2014 IRP?

b. What is the actual reserve margin by year from 2014-2016 and expected reserve margin for years 2017-2020?

c. What is Duke's target reserve margin?

d. What is Duke's target capacity margin?

RESPONSE:

a. No.

b.

	2014	2015	2016	2017	2018	2019	2020
Actual Reserve Margin	22.4%	31.9%	27.0%				
Expected Reserve Margin				31.9%	30.7%	30.7%	28.8%

c. 3.7%

d. The company doesn't target a specific capacity margin. For long term resource planning, the company assumes meeting the target reserve margin in every year of the planning period.

PERSON RESPONSIBLE: Scott Park

Duke Energy Kentucky
Case No. 2017-00324
Attorney General's First Set Data Requests
Date Received: September 22, 2017

AG-DR-01-003

REQUEST:

Refer to the IRP in Case No. 2014-00273, on page 53, wherein the company noted that the "IRP assumes that 5% of retail sales would be met with renewable energy sources beginning in 2019, increasing 0.5% annually through 2028. Does the Company still believe this is a reliable assumption?

a. Why or why not is this still a reliable assumption?

RESPONSE:

The company believes that renewables will be an increasingly important part of Duke Energy Kentucky's energy mix, and that a 5% RPS by 2028 is reasonable.

PERSON RESPONSIBLE: Scott Park

Duke Energy Kentucky
Case No. 2017-00324
Attorney General's First Set Data Requests
Date Received: September 22, 2017

AG-DR-01-004

REQUEST:

Refer to Figure 8-1, p. 63, of Duke's 2014 IRP. Provide the actual amounts for the categories listed in the figure for years 2014-2016. For any actual amount in any category that is a difference of more than 5% than the projected amount, provide an explanation as to the deviation.

a. Are the anticipated or projected amounts referred to as "Demand-Side Management" in this figure inclusive of all DSM programs? If not, why-not?

b. If the answer to (a) above is in the negative, provide the "Demand-Side Management" amounts and programs that are included as "Reductions to Load Forecast."

RESPONSE:

Objection. Overbroad, unduly burdensome to the extent the information does not exist and is otherwise irrelevant. The Company further objects to this question because it is not appropriate to compare the projections in the 2014 IRP document, which represents the assumed conditions that existed at a point in time, to the actual performance of a dynamic portfolio which is dependent on customer behavior as well as advances in EE technologies and other program offerings that could not have been reasonably anticipated at the time of the IRP projections. Further, as explained in the response to AG-DR-01-01, the Company objects to providing the actual contribution to the system peak for the EE programs (labeled as "New EE Programs in Figure 8-1) for these years because the information does not exist.

Without waiving said objection and to the extent discoverable, please refer to the answer provided for AG-DR-01-01. Attachment AG-DR-01-01 contains the actual performance of the categories listed in the referenced Figure 8-1 as "Demand Side Management – Power Share" and "Demand Side Management – Power Manager". In the spreadsheet these values are labeled as "DR Impacts – MW" under the section labeled "Actual Impacts". The differences between projected and actual performance are explained the response to AG-DR-01-01.

a. Yes, the projected amounts referred to as "Demand-Side Management" in this figure are inclusive of all DSM programs. It should be noted that the values for Demand-Side Management included in this Figure 8-1 for the "Reductions to Load Forecast" are the same as those included in Table 4-A.

b. N/A

PERSON RESPONSIBLE: Tom Wiles

Duke Energy Kentucky
Case No. 2017-00324
Attorney General's First Set Data Requests
Date Received: September 22, 2017

AG-DR-01-005

REQUEST:

Provide the amount of Duke's off-system sales for each year since 2013, by energy and dollar amounts. Provide these amounts by total annual off-systems sales and by off-systems sales net of off-system purchases.

RESPONSE:

Annual amounts of off-system sales to PJM and purchased power from PJM are detailed below.

Duke Energy Kentucky

Off-system Sales to PJM

Calendar Year	MWh	Revenue
2013	257,139	$ 7,741,822
2014	160,972	$ 8,147,544
2015	843,528	$ 26,911,427
2016	299,756	$ 7,630,073

Purchased Power from PJM

Calendar Year	MWh	Revenue
2013	913,020	$ 33,247,522
2014	1,528,738	$ 77,228,058
2015	600,495	$ 19,368,455
2016	1,033,765	$ 30,343,791

PERSON RESPONSIBLE: Scott Burnside

AG-DR-01-006

REQUEST:

For any off-system sales that Duke makes, is any portion of the sales returned to customers?

a. If "yes": (i) what portion of the sales is returned to customers, and what portion does Duke retain and (ii) how is any portion of off-system sales returned to customers?

RESPONSE:

Yes. Net revenues from off-system sales are passed along to customers under the terms of Duke Energy Kentucky Profit Sharing Mechanism, Rider PSM.

(a) The revenue from off-system sales, less the cost of such sales, is defined as the profit on off-system sales. Under the existing formula, 100 percent of the first $1 million of profits on off-system sales in a calendar year flows through to customers. For any profits from off-system sales in excess of $ 1 million in a calendar year, 75% flows through to customers via Rider PSM.

PERSON RESPONSIBLE: William Don Wathen Jr.

REQUEST:

Refer to Appendix A to Duke's 2016 Annual Status Report, filed November 5, 2016 in Case No. 2016-00382. Provide an update of the cost effectiveness of the Non-Residential Programs listed in the Appendix in the same manner as provided in the status report.

RESPONSE:

The only cost effectiveness scores that changed due to the amendments within this case were the scores associated with the Non-Residential Custom Program. The updated scores for the Non-Residential Custom Program were included within this proceeding. Cost effective scores for all programs are filed annually in the Annual Status Report and will be available on November 15, 2017.

PERSON RESPONSIBLE: Trisha Haemmerle

Duke Energy Kentucky
Case No. 2017-00324
Attorney General's First Set Data Requests
Date Received: September 22, 2017

AG-DR-01-008

REQUEST:

Refer to p. 5 of the Application of this proceeding, wherein the Company states that it spent 14% more than the forecasted budget for the Smart $aver Custom program.

a. Has the Company, or does the Company intend to recover from customers the additional 14%? If so, how?

b. If the response to subpart a., above is "yes," state under what authority or direction the amount will be recovered (i.e. Commission Order, tariff, etc.).

RESPONSE:

a. Yes, the Company plans to recover costs for the additional 14% from the Distribution Level Rates Part A customers (customers on rates DS, DP, DT, GS-FL, EH and SP).

b. The Company will seek Commission approval to recover entirety of the program costs associated with its portfolio of cost effective energy efficiency programs when it submits its Annual Status Report and Adjustment of DSM Cost Recovery Mechanisms and Amended Tariff Sheets for Gas Rider DSMR (Sheet No. 62) and Electric Rider DSMR (Sheet No.78) Application.

PERSON RESPONSIBLE: Trisha Haemmerle

Duke Energy Kentucky
Case No. 2017-00324
Attorney General's First Set Data Requests
Date Received: September 22, 2017

AG-DR-01-009

REQUEST:

Refer to p. 6 of the Application in this proceeding, wherein the Company states that it is requesting an increase in the Smart $aver Customer program from $610,068 to $2,138.189.

a. Confirm that the amount for "Lost Revenues" in the Smart $aver program as states on page 2 of Appendix B in this matter is requested to be $207,789, an increase from $109,614 as provided in Case No. 2016-00382.

b. Are amounts referred to as "Lost Revenues" retains by the Company, that is, are they considered to be amounts designated for shareholders or as savings to customers? Explain your answer fully.

c. Confirm that the amount for "Shared Savings" in the Smart $saver program as stated on page 2 of Appendix B in this matter is requested to be $402,802, an increase from $64,889 as provided in Case No. 2016-00382.

d. Are amounts referred to as "Shared Savings" retained by the Company, that is, are they considered to be amounts designated for shareholders or as savings to customers? Explain your answer fully.

e. If the amounts referred to as "Shared Savings" are split between the Company and customers, how is that amount determined and under what authority (i.e. Commission Order, tariff, etc.)?

RESPONSE:

a. Yes, that is correct.

b. "Lost Revenues" represent revenue reductions (excluding fuel) directly resulting from the implementation of DSM measures through the DSM programs. The Company retains the lost revenue dollars.

c. Yes, that is correct.

d. Under the approved shared savings incentive mechanism, the Company incentive is calculated as a percentage of the net system benefits (net present value of the avoided costs less the program costs) generated by the Company's portfolio of energy efficiency and demand response programs. The level of incentive, the magnitude of the percentage of the net system that the Company is eligible to earn, is 10% on a pre-tax basis.

e. With respect to shared savings, Duke Energy Kentucky utilized the shared incentive of 10% of the total savings net of the costs of measures, incentives to customers, marketing, impact evaluation, and administration. The savings are estimated by multiplying the program spending times the Utility Cost Test (UCT) value and then subtracting the program costs. Shared savings are only valued for installation of new DSM measures. Essentially under the shared saving incentive structure approved by the Commission in Case No 2012-00495, the Company retains 10% of the net benefits associated with the measures and verified energy savings impacts that are a results of the Company's portfolio of DSM program.

PERSON RESPONSIBLE: Trisha Haemmerle

Duke Energy Kentucky
Case No. 2017-00324
Attorney General's First Set Data Requests
Date Received: September 22, 2017

AG-DR-01-010

REQUEST:

Refer to the Application generally. Are the recovery of costs associated with Nonresidential DSM programs limited to Non-residential classes? If not, why not?

RESPONSE:

Yes, the recovery of costs associated with the Non-Residential DSM programs are limited to Non-Residential classes.

PERSON RESPONSIBLE: Trisha Haemmerle

REQUEST:

Refer to the revised tariff provided by the Company in Appendix G in this matter/

a. Provide the marked-up versions of the tariffs in a form where the "deleted" components, such as the terms in text form, are fully viewable.

b. Explain, in complete detail, why the "demand" and "demand-related" language in the revised tariffs were deleted, particularly on page one (1) and three (3) of the Appendix.

c. Provide the proceeding or authority where the Company received approval to amend the DSM PI from fifteen (15) to ten (10).

d. Does the Company believe that the tariffs provided in Appendix G satisfy the requirement of 807 KAR 5:011 Sections 6 & 7? Explain your answer fully.

RESPONSE:

a. Please see AG-DR-01-011 Attachment.

b. The Company is requesting changes to Rider DSM to align the tariff with the actual calculations filed by the Company and approved by the Commission for many years. Since inception of the DSM program twenty years ago, all costs have been recovered through Rider DSMR on a per-kWh basis for both residential and non-residential customers, regardless of whether the underlying DSM programs reduce demand or save energy. The Company does not and has not recovered costs for demand-related programs through demand charges.

c. Unknown.

d. The Company believes that the tariffs satisfy the requirements of 807 KAR 5:011 Sections 6 & 7. The proposed tariff contains the required margin symbols as specified in Section 6. The tariff change does not affect the amount a customer pays, nor does it change how the mechanism itself or programs operate. The language change is merely to more accurately and transparently describe and capture how the DSM program operates. The Company requests to modify the old existing tariff to align with filings made by the Company and approved by the Commission for many years.

PERSON RESPONSIBLE: James E. Ziolkowski

KY.P.S.C. Electric No. 2
~~First~~Second Revised Sheet No. 75
Cancels and Supersedes
~~Original~~First Revised Sheet No. 75
Page 1 -of 34

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

RIDER DSM

DEMAND SIDE MANAGEMENT COST RECOVERY RIDER

APPLICABILITY

Applicable to service rendered under the provisions of Rates RS (residential class), DS, DP, DT, EH, GS-FL, SP, and TT (non-residential class).

CHARGES

The monthly amount computed under each of the rate schedules to which this rider is applicable shall be increased or decreased by the DSM Charge at a rate per kilowatt-hour of monthly consumption and, where applicable, a rate per kilowatt of monthly billing demand, in accordance with the following formula:

DSM Charge = PC + LR + PI + BA

Where: **PC = DSM PROGRAM COST RECOVERY**. For each twelve month period, the PC shall include all expected costs for demand-side management programs which have been approved by a collaborative process. Such program costs shall include the cost of planning, developing, implementing, monitoring, and evaluating DSM programs. Program costs will be assigned for recovery purposes to the rate classes whose customers are directly participating in the program. In addition, all costs incurred by or on behalf of the collaborative process, including but not limited to costs for consultants, employees and administrative expenses, will be recovered through the PC. Administrative costs that are allocable to more than one rate class will be recovered from those classes and allocated by rate class on the basis of the estimated avoided capacity and energy costs resulting from each program.

The PC applicable to the residential class shall be determined by dividing the cost of approved programs allocated or assigned to the residential class by the expected kilowatt-hour sales for the upcoming twelve-month period. The cost of approved programs assigned or allocated to the non-residential class shall be allocated as either demand-related or energy-related based on the respective percentage of avoided capacity cost or avoided energy cost to the total avoided cost estimated in the determination of the net resource savings for the program. For purposes of this tariff, net resource savings are defined as program benefits less the cost of the program, where program benefits will be calculated on the basis of the present value of the Company's avoided costs over the expected life of the program, and will include both capacity and energy savings. ~~The demand-related program costs thus determined shall be divided by the expected billing demand in kilowatt-months for the upcoming twelve-month period to determine the demand-related PC.~~ The ~~associated energy-related~~ program costs shall be divided by the expected kilowatt-hour

Issued by authority of an Order of the Kentucky Public Service Commission dated _______ ~~December 21~~, 201706 in Case No. 201

Issued: August 15 ~~September 29~~, 20170

Effective: September 15~~September 30~~,-20170

Issued by James P. Henning~~ulie Janson~~, President/s/James P. Henning sales for the upcoming twelve-month period to determine the energy-related PC for such rate class.

KY.P.S.C. Electric No. 2
~~First~~Second Revised Sheet No. 75

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

Cancels and Supersedes
~~Original~~First Revised Sheet No. 75

Page 3 ~~-~~of 3~~4~~

LR = LOST REVENUE FROM LOST SALES RECOVERY. Revenues from lost sales due to DSM programs shall be computed by 1) multiplying the amount of kilowatt-hour sales that will be lost during the year as a result of the implementation of the approved programs times the energy charge for the applicable rate schedule, less the variable cost included in the charge, and 2) dividing that product by the expected kilowatt-hour sales for the upcoming twelve-month period. The lost revenue attributable to decreased sales due to approved programs will be calculated through estimates agreed upon by the collaborative process, which may include engineering estimates, of the level of decreased kilowatt-hour energy sales. Recovery of revenues from lost sales calculated for a twelve-month period shall be included in the LR for 3 years~~ or until terminated by the implementation of new rates pursuant to a general rate case, whichever comes first~~. Revenues from lost sales will be assigned for recovery purposes to the rate classes whose programs resulted in the lost sales. ~~will be recovered through the decoupling of revenues from actual sales of the residential class. At the end of each twelve-month period after implementation of the DSM Charge, the non-variable revenue requirement (total revenue requirement less variable costs) for the residential class for ULH&P's most recent twelve month period will be adjusted to reflect changes in the number of customers and the usage per customer as follows: (1) the non-variable revenue requirement will be multiplied by the factor obtained by dividing the twelve month average number of customers at the end of the current twelve-month period by the twelve month average number of residential customers at the end of the twelve-month period ending December 1994, and (2) the non-variable revenue requirement will be multiplied by a factor "F~~$\cancel{_g}$~~" calculated by the following formula:~~ T D

$$\cancel{F_g = (1 + g)^{n/12}}$$

~~Where: g = Growth factor - recalculated annually based on the most recent eleven years of actual customer data. Initially "g" shall be set at 0.0175; and~~
~~n = the number of months from December 1994 to the end of the current twelve-month period.~~

~~At the end of each twelve-month period after implementation of the DSM Charge, the difference between the actual non-variable revenue billed during the twelve-month period and the adjusted non-variable revenue requirement, as described above, will be determined. This difference ("LR amount established for the twelve-month period") will be divided by the estimated kilowatt-hour sales for the upcoming twelve-month period to determine the LR for the residential class.~~

~~The LR applicable to the non-residential class shall be computed by 1) multiplying the amount of kilowatt-hour sales and, where applicable, the kilowatt-months of billing demand that will be lost for each twelve-month period as a result of the implementation of the approved programs times the energy charge for the applicable rate schedule, less the variable cost included in the charge, and the demand charges, respectively; and, 2) dividing that product by the expected kilowatt-hour sales~~

Issued by authority of an Order of the Kentucky Public Service Commission dated ______ ~~December 21~~, 201~~7~~~~06~~ in Case No. 201

Issued: August 15 ~~September 29~~, 2017~~0~~
Effective: September 15~~September 30~~, 2017~~0~~

Issued by James P. Henning~~Julie Janson~~, President/s/James P. Henning

~~or expected billing demand in kilowatt-months for the upcoming twelve-month period. The lost revenue attributable to decreased sales to the non-residential class due to approved programs will be calculated through estimates agreed upon by the collaborative process, which may include engineering estimates, of the level of decreased kilowatt-hour energy sales and billing demand in kilowatt-months. Recovery of revenues from lost sales calculated for a twelve-month period for non-residential rate classes shall be included in the LR until January 1, 2000 or until terminated by the implementation of new rates pursuant to a general rate case, whichever comes first. Revenues from lost sales will be assigned for recovery purposes to the rate classes whose programs resulted in the lost sales.~~ D

PI = DSM PROGRAM INCENTIVE RECOVERY. The DSM Program Incentive (PI) amount shall be computed by multiplying the net resource savings expected from the approved programs which are to be installed during the upcoming twelve-month period times ten~~fifteen~~ (105) percent. Net resource savings are defined as program benefits less the cost of the program, where program benefits will be calculated on the basis of the present value of the Company's avoided costs over the expected life of the program, and will include both capacity and energy savings. The DSM incentive amount related to programs for the residential class shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the PI for that rate class. The PI amount related to programs for the non-residential class rates shall be allocated as either demand-related or energy-related in the same manner as program costs are allocated as demand- or energy related. ~~The demand-related PI amount thus determined shall be divided by the expected billing demand in kilowatt-months for the upcoming twelve-month period to determine the demand-related PI. Similarly, the~~The ~~energy-related~~ incentive amount thus determined shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the energy-related PI for such rate class. DSM incentive amounts will be assigned for recovery purposes to the rate classes whose programs created the incentive. T D

BA = DSM BALANCE ADJUSTMENT. The BA is used to reconcile the difference between the amount of revenues actually billed through the respective DSM Charge components; namely, the PC, LR, and PI and previous application of the BA and the revenues which should have been billed, as follows:

(1) For the PC, the balance adjustment amount will be the difference between the amount billed in a twelve-month period from the application of the PC unit charge and the actual cost of the approved programs during the same twelve-month period.

(2) For the LR~~ applicable to the residential class~~, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from the application of the LR unit charge and the LR amount established for the same twelve-month period. D

~~For the LR applicable to the non-residential class, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the LR unit charge and the amount of lost revenues determined for the actual DSM program, or measures implemented during the twelve-month period.~~ D

(3) For the PI, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the PI unit charge and the incentive amount determined for the actual DSM program~~, or measures implemented during the twelve-month period~~. D

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

(4) For the BA, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the BA and the balance adjustment amount established for the same twelve-month period.

BA = DSM BALANCE ADJUSTMENT (Cont.d)

~~For the non-residential class, balance adjustment amounts will be separated into both demand and energy-related components.~~ The balance adjustment amounts determined above shall include interest. The interest applied to the monthly amounts, shall be calculated at a rate equal to the average of the "3-month Commercial Paper Rate" for the immediately preceding 12-month period. ~~The total of the demand-related balance adjustment amounts, plus interest, shall be divided by the expected billing demand in kilowatt-months for the upcoming twelve-month period to determine the demand-related BA, while the total of the energy-related balance adjustment amounts shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the energy-related BA.~~ DSM balance adjustment amounts will be assigned for recovery purposes to the rate classes to which over or under-recoveries of DSM amounts were realized. D

All costs recovered through the DSM Charge will be assigned or allocated to Duke Energy Kentucky, Inc.'s electric or gas customers on the basis of the estimated net electric or gas resource savings resulting from each program.

DSM CHARGE FILINGS

The filing of modifications to the DSM Charge shall be made at least thirty days prior to the beginning of the effective period for billing. Each filing will include the following information as needed:

(1) A detailed description of each DSM program developed by the collaborative process, the total cost of each program over the twelve-month period, an analysis of expected resource savings, information concerning the specific DSM or efficiency measures to be installed, and any applicable studies which have been performed, as available.

(2) A statement setting forth the detailed calculation of each component of the DSM Charge.

Each change in the DSM Charge shall be applied to customers' bills with the first billing cycle of the revenue month which coincides with, or is subsequent to, the effective date of such change.

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 Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission, as provided by law.

KY.P.S.C. Electric No. 2
~~First~~Second Revised Sheet No. 75
Cancels and Supersedes
~~Original~~First Revised Sheet No. 75
Page 7 -of 34

Duke Energy Kentucky, Inc.
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Issued by authority of an Order of the Kentucky Public Service Commission dated ______ ~~December 21~~, 2017~~06~~ in Case No. 201

Issued: August 15 ~~September 29~~, 2017~~0~~
Effective: September 15~~September 30~~,-2017~~0~~

Issued by James P. Henning~~ulie Janson~~, President/s/James P. Henning