

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

KY. P.S.C. Electric No. 2
First Revised Sheet No. 76
Cancels and Supersedes
Original Sheet No. 76
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ENVIRONMENTAL SURCHARGE MECHANISM RIDER

APPLICABILITY

This rider is applicable to all retail sales in the Company's electric service area beginning with the billing month June 2018. Rate RTP program participants utilize the applicable portions of the Baseline Charge and Program Charge, as those terms are defined in Rate RTP, for this rider.

Standard electric rate schedules subject to this schedule are:

Residential: Rate Schedule RS

Non-Residential: Rate Schedules DS, EH, SP, DP, DT, GSFL, TT, SL, TL, UOLS, NSU, SC, SE, and LED

RATE

The monthly billing amount under each of the schedules to which this rider is applicable, shall be increased or decreased by a percentage factor according to the following formula:

Environmental Surcharge Billing Factor = Jurisdictional E(m) / R(m)

DEFINITIONS

For all Plans:

E(m) = RORB + OE – EAS + Prior Period Adjustment + (Over)Under Recovery

RORB = (RB/12)*ROR

RB = the Environmental Compliance Rate Base, defined as electric plant in service for applicable environmental projects adjusted for accumulated depreciation, accumulated deferred taxes, accumulated investment tax credits, CWIP and emission allowance inventory.

ROR = the Rate of Return on the Environmental Compliance Rate Base, designated as the cost of debt and pretax cost of equity for environmental compliance plan projects approved by the Commission.

OE = the Operating Expenses, defined as the monthly depreciation expense, taxes other than income taxes, amortization expense, emission allowance expense and environmental reagent expense.

EAS = proceeds from Emission Allowance Sales.

Prior Period Adjustment is the amount resulting from the amortization of amounts determined by the Commission during six-month and two-year reviews.

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Issued by authority of an Order of the Kentucky Public Service
Commission dated _____, in Case No. 2018-00156.

Issued: June 15, 2018

Effective: July 15, 2018

Issued by Amy B. Spiller, President /s/ Amy B. Spiller,

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DEFINITIONS (Contd.)

(Over) or Under Recovery is a one-month "true-up" adjustment.

Plans are the environmental surcharge compliance plans submitted to and approved by the Kentucky Public Service Commission.

- (1) Total E(m), (the environmental compliance plan revenue requirement), is multiplied by the Jurisdictional Allocation Factor. Jurisdictional E(m) is adjusted for any (Over)/Under collection or prior period adjustment to arrive at Adjusted Jurisdictional E(m). Adjusted Jurisdictional E(m) is allocated to Residential and Non-Residential on the basis of Revenue as a Percentage of Total Revenue for the 12 months ending with the Current Month.
- (2) Residential R(m) is the average of total monthly residential revenue for the 12 months ending with the current expense month. Total revenue includes residential revenue, including all riders, but excluding environmental surcharge mechanism revenue.
- (3) Non-Residential R(m) is the average of total monthly non-residential revenue for the 12 months ending with the current expense month. Total revenue includes non-residential revenue, including all riders, but excluding environmental surcharge mechanism revenue, base fuel revenue and FAC revenue.
- (4) The current expense month (m) shall be the second month proceeding the month in which the Environmental Surcharge is billed.

SERVICE REGULATIONS, TERMS AND CONDITIONS

The supplying 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 Public Service Commission of Kentucky.

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