

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:

$$\text{DSM Charge} = \text{PC} + \text{LR} + \text{PI} + \text{BA}$$

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 program costs shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the energy-related PC for such rate class.

CANCELLED

May 1, 2020

**KENTUCKY PUBLIC
SERVICE COMMISSION**

Issued by authority of an Order by the Kentucky Public Service Commission dated September 13, 2018 in Case No. 2017-00427.

Issued: July 23, 2019
Effective: October 1, 2018
Issued by Amy B. Spiller, President /s/ Amy B. Spiller

**KENTUCKY
PUBLIC SERVICE COMMISSION**

Gwen R. Pinson
Executive Director
Gwen R. Pinson

EFFECTIVE
10/1/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

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. Revenues from lost sales will be assigned for recovery purposes to the rate classes whose programs resulted in the lost sales.

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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 (10) 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 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.

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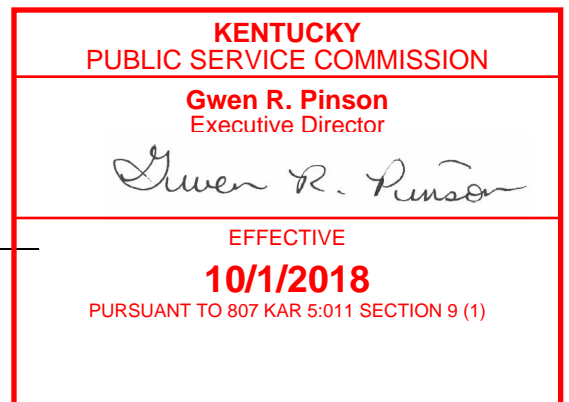
BA = DSM BALANCE ADJUSTMENT. The BA is used to reconcile the difference between the amount of revenues actually billed through the respective DSM Charge components; namely, the PC, LR, and PI and previous application of the BA and the revenues which should have been billed, as follows:

- (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.



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BA = DSM BALANCE ADJUSTMENT (Contd.)

- (2) For the LR, 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.
- (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.
- (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.

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. 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.

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

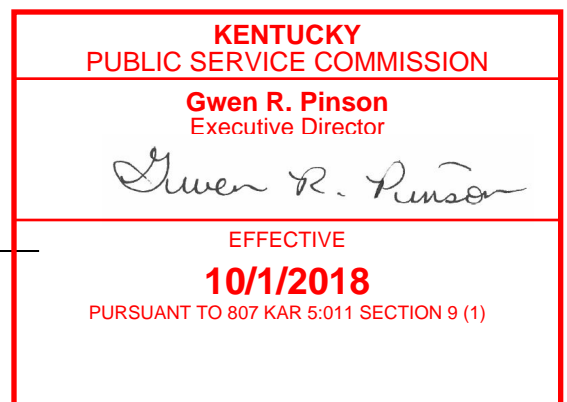
The filing of modifications to the DSM Charge shall be made at least thirty days prior to the beginning of the effective period for billing. Each filing will include the following information as needed:

- (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.



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DSM CHARGE FILINGS (Contd.)

(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.



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