

**Adjustment Clause**

**DSM**

**Demand-Side Management Cost Recovery Mechanism**

**APPLICABLE**

In all territory served.

**AVAILABILITY OF SERVICE**

This schedule is mandatory to Residential Service Rate RS, Residential Time-of-Day Energy Rate RTOD-Energy, Residential Time-of-Day Demand Rate RTOD-Demand, Volunteer Fire Department Service Rate VFD, General Service Rate GS, All Electric School Rate AES, Power Service Rate PS, Time-of-Day Secondary Service Rate TODS, Time-of-Day Primary Service Rate TODP, and Retail Transmission Service Rate RTS. 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 non-residential customers will be defined as "commercial."

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**RATE**

The monthly amount computed under each of the rate schedules to which this Demand-Side Management Cost Recovery Mechanism is applicable shall be increased or decreased by the DSM Cost Recovery Component (DSMRC) at a rate per kilowatt hour of monthly consumption in accordance with the following formula:

$$\text{DSMRC} = \text{DCR} + \text{DRLS} + \text{DSMI} + \text{DBA} + \text{DCCR}$$

Where:

**DCR = DSM COST RECOVERY**

The DCR shall include all expected costs that have been approved by the Commission for each twelve-month period for demand-side management programs that have been developed through a collaborative advisory process ("approved programs"). 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 DCR. 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 budget from each program. The cost of approved programs shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DCR for each such rate class.

**DRLS = DSM REVENUE FROM LOST SALES**

Revenues from lost sales due to DSM programs implemented on and after the effective date of this tariff will be recovered as follows:

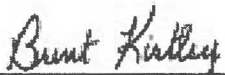
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**ISSUED BY:** /s/ Edwin R. Staton, Vice President  
 State Regulation and Rates  
 Lexington, Kentucky

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 Public Service Commission in Case No.  
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<b>KENTUCKY PUBLIC SERVICE COMMISSION</b>
<b>JEFF R. DEROUEN EXECUTIVE DIRECTOR</b>
TARIFF BRANCH

EFFECTIVE <b>7/1/2015</b>
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

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Demand-Side Management Cost Recovery Mechanism

RATE (continued)

- 1) For each upcoming twelve-month period, the estimated reduction in customer usage (in kWh) as determined for the approved programs shall be multiplied by the non-variable revenue requirement per kWh for purposes of determining the lost revenue to be recovered hereunder from each customer class. The non-variable revenue requirement for the Residential, Residential Time-of-Day Energy Service, Volunteer Fire Department, General Service, and All Electric School customer classes is defined as the weighted average price per kWh of expected billings under the energy charges contained in the RS, RTOD-Energy, VFD, GS, and AES rate schedules in the upcoming twelve-month period after deducting the variable costs included in such energy charges. The non-variable revenue requirement for each of the customer classes that are billed under demand and energy rates (rate schedules RTOD-Demand, PS, TODS, TODP, and RTS) is defined as the weighted average price per kWh represented by the composite of the expected billings under the respective demand and energy charges in the upcoming twelve-month period, after deducting the variable costs included in the energy charges. T  
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- 2) The lost revenues for each customer class shall then be divided by the estimated class sales (in kWh) for the upcoming twelve-month period to determine the applicable DRLS surcharge. Recovery of revenue from lost sales calculated for a twelve-month period shall be included in the DRLS for 36 months or until 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.

Revenues collected hereunder are based on engineering estimates of energy savings, expected program participation, and estimated sales for the upcoming twelve-month period. At the end of each such period, any difference between the lost revenues actually collected hereunder and the lost revenues determined after any revisions of the engineering estimates and actual program participation are accounted for shall be reconciled in future billings under the DSM Balance Adjustment (DBA) component.

A program evaluation vendor will be selected to provide evaluation criteria against which energy savings will be estimated for that program. Each program will be evaluated after implementation and any revision of the original engineering estimates will be reflected in both (a) the retroactive true-up provided for under the DSM Balance Adjustment and (b) the prospective future lost revenues collected hereunder.

**DSMI = DSM INCENTIVE**

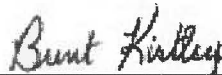
For all Energy Impact Programs except Direct Load Control, the DSM incentive amount shall be computed by multiplying the net resource savings expected from the approved

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Demand-Side Management Cost Recovery Mechanism

programs that are to be installed during the upcoming twelve-month period times fifteen (15) percent, not to exceed five (5) percent of program expenditures. Net resource savings are defined as program benefits less utility program costs and participant costs where program benefits will be calculated on the basis of the present value of Company's avoided costs over the expected life of the program, and will include both capacity and energy savings. For the Energy Education Program, the DSM incentive amount shall be computed by multiplying the annual cost of the approved program times five (5) percent.



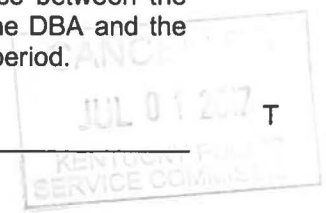
The DSM incentive amount related to programs for Residential Service Rate RS, Residential Time-of-Day Energy Service Rate RTOD-Energy, Residential Time-of-Day Demand Service Rate RTOD-Demand, Volunteer Fire Department Rate VFD, General Service Rate GS, All Electric School Rate AES, Power Service Rate PS, Time-of-day Secondary Service Rate TODS, Time-of-Day Primary Service Rate TODP, and Retail Transmission Service Rate RTS shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DSMI for such rate class. DSM incentive amounts will be assigned for recovery purposes to the rate classes whose programs created the incentive.



DBA = DSM BALANCE ADJUSTMENT

The DBA shall be calculated on a calendar-year basis and is used to reconcile the difference between the amount of revenues actually billed through the DCR, DRLS, DSMI, DCCR, and previous application of the DBA and the revenues that should have been billed, as follows:

- 1) For the DCR, the balance adjustment amount will be the difference between the amount billed in a twelve-month period from the application of the DCR unit charge and the actual cost of the approved programs during the same twelve-month period.
- 2) For the DRLS the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DRLS unit charge and the amount of lost revenues determined for the actual DSM measures implemented during the twelve-month period.
- 3) For the DSMI, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DSMI unit charge and the incentive amount determined for the actual DSM measures implemented during the twelve-month period.
- 4) For the DBA, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DBA and the balance adjustment amount established for the same twelve-month period.



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<b>JEFF R. DEROUEN EXECUTIVE DIRECTOR</b>
TARIFF BRANCH  <i>Brent Kirtley</i>
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The balance adjustment amounts determined on the basis of the above paragraphs (1)-(4) shall include interest applied to the monthly amounts, such interest to be calculated at a rate equal to the average of the "Three-Month Commercial Paper Rate" for the immediately preceding twelve-month period. The total of the balance adjustment amounts shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DBA for such rate class. DSM balance adjustment amounts will be assigned for recovery purposes to the rate classes for which over- or under-recoveries of DSM amounts were realized.

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DCCR = DSM CAPITAL COST RECOVERY

The DCCR component is the means by which the Company recovers its capital investments made for DSM programs, as well as an approved rate of return on such capital investments. The Company calculates the DCCR component as follows:

$$DCCR = [(RB) (ROR + (ROR - DR) (TR / (1 - TR)))] + OE$$

- a) RB is the total rate base for DCCR projects.
- b) ROR is the overall rate of return on DSM Rate Base (RB).
- c) DR is the composite debt rate (i.e., the cost of short- and long-term debt) embedded in ROR.
- d) TR is the composite federal and state income tax rate that applies to the equity return component of ROR.
- e) OE is the sum of the capital-related operating expenses (i.e., depreciation and amortization expense, property taxes, and insurance expense) of the DSM projects to which DCCR applies.

The Company then allocates the DCCR component to the rate class(es) benefitting from the Company's various DSM-related capital investment(s).

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CHANGES TO DSMRC

Modifications to components of the DSMRC shall be made at least thirty days prior to the effective period for billing. Each filing shall include the following information as applicable:

- 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 that have been performed, as available.
- 2) A statement setting forth the detailed calculation of the DCR, DRLS, DSMI, DBA, DCCR, and DSMRC.

Each change in the DSMRC shall be placed into effect with bills rendered on and after the effective date of such change.

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Demand-Side Management Cost Recovery Mechanism

## PROGRAMMATIC CUSTOMER CHARGES

### Residential Customer Program Participation Incentives:

The following Demand Side Management programs are available to residential customers receiving service from the Company on the RS, RTOD-Energy, RTOD-Demand, and VFD Standard Electric Rate Schedules. T

#### Residential Load Management / Demand Conservation

The Residential Load Management / Demand Conservation Program employs switches in homes to help reduce the demand for electricity during peak times. The program communicates with the switches to cycle central air conditioning units, heat pumps, electric water heaters, and pool pumps off and on through a predetermined sequence. This program has an approved flexible incentive structure. The current program offering is defined on Sheet No 86.8.

#### Residential Conservation / Home Energy Performance Program

The on-site audit offers a comprehensive audit from a certified auditor and incentives for residential customers to support the implementation of energy saving measures for a fee of \$25. Customers are eligible for incentives of \$150 or \$1,000 based on customer purchased and installed energy efficiency measures and validated through a follow-up test.

#### Residential Low Income Weatherization Program (WeCare)

The Residential Low Income Weatherization Program (WeCare) is an education and weatherization program designed to reduce energy consumption of LG&E's low-income customers. The program provides energy audits, energy education, and blower door tests, and installs weatherization and energy conservation measures. Qualified customers could receive energy conservation measures ranging from \$0 to \$2,100 based upon the customer's most recent twelve month energy usage and results of an energy audit.

#### Smart Energy Profile

The Smart Energy Profile Program provides a portion of KU's highest consuming residential customers with a customized report of tips, tools and energy efficiency programming recommendations based on individual household energy consumption. These reports are benchmarked against similar local properties. The report will help the customer understand and make better informed choices as it relates to energy usage and the associated costs. Information presented in the report will include a comparison of the customer's energy usage to that of similar houses (collectively) and a comparison to the customer's own energy usage in the prior year.

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**Demand-Side Management Cost Recovery Mechanism**

**Residential Incentives Program**

The Residential Incentives Program encourages customers to purchase and install various ENERGY STAR® appliances, HVAC equipment, or window films that meet certain requirements, qualifying them for an incentive as noted in the table below.

Category	Item	Incentive
Appliances	Heat Pump Water Heaters (HPWH)	\$300 per qualifying item purchased
	Washing Machine	\$75 per qualifying item purchased
	Refrigerator	\$100 per qualifying item purchased
	Freezer	\$50 per qualifying item purchased
	Dishwasher	\$50 per qualifying item purchased
Window Film	Window Film	Up to 50% of materials cost only; max of \$200 per customer account; product must meet applicable criteria.
HVAC	Central Air Conditioner	\$100 per Energy Star item purchased plus an additional \$100 per SEER improvement above minimum
	Electric Air-Source Heat Pump	\$100 per Energy Star item purchased plus additional \$100 per SEER improvement above minimum

**Residential Refrigerator Removal Program**

The Residential Refrigerator Removal Program is designed to provide removal and recycling of working, inefficient secondary refrigerators and freezers from KU customer households. Customers participating in this program will be provided a one-time incentive. This program has an approved flexible incentive structure. The current program offering is defined on Sheet No 86.8.

**Customer Education and Public Information**

This program helps customers make sound energy-use decisions, increase control over energy bills and empower them to actively manage their energy usage. Customer Education and Public Information is accomplished through three processes: a mass-media campaign, an elementary- and middle-school program, and training for home construction professionals. The mass media campaign includes public-service advertisements that encourage customers to implement steps to reduce their energy usage. The elementary and middle school program provides professional development and innovative materials to K-8 schools to teach concepts such as basic energy and energy efficiency concepts. The training for home construction professionals provides education about new building codes, standards and energy efficient construction practices which support high performance residential construction.

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<b>KENTUCKY PUBLIC SERVICE COMMISSION</b>
<b>JEFF R. DEROUEN EXECUTIVE DIRECTOR</b>
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<i>Brent Kirtley</i>
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**Adjustment Clause**

**DSM**

**Demand-Side Management Cost Recovery Mechanism**

**Residential Advanced Metering Systems Incentives:**

The following Demand Side Management offering is available to residential customers receiving service from the Company on the RS Rate Schedule.

**Advanced Metering Systems**

The Advanced Metering Systems offering is designed to provide energy consumption data to customers on a more frequent basis than is traditionally available through monthly billing. The Program employs advanced meters to communicate hourly consumption data to customers through a website.

**Commercial Customer Program Participation Incentives:**

The following Demand Side Management programs are available to commercial customers receiving service from the Company on the GS, AES, PS, TODS, TODP, and RTS Standard Electric Rate Schedules.

**Commercial Load Management / Demand Conservation**

The Commercial Load Management / Demand Conservation Program employ switches or interfaces to customer equipment, in small and large commercial businesses to help reduce the demand for electricity during peak times. The Program communicates with the switches or interface to cycle equipment. This program has an approved flexible incentive structure. The current program offering is defined on Sheet No 86.8.

**Commercial Conservation / Commercial Incentives**

The Commercial Conservation / Commercial Incentive Program is designed to increase the implementation of energy efficiency measures by providing financial incentives to assist with the replacement of aging and less efficient equipment and for new construction built beyond code requirements. The Program also offers an online tool providing recommendations for energy-efficiency improvements. Incentives available to all commercial customers are based upon a \$100 per kW removed for calculated efficiency improvements. A prescriptive list provides customers with incentive values for various efficiency improvement projects. Additionally, a custom rebate is available based upon company engineering validation of sustainable kW removed. New construction rebates are available on savings over code plus bonus rebates for LEED certification.

- Maximum annual incentive per facility is \$50,000
- Customers can receive multi-year incentives in a single year where such multi-year incentives do not exceed the aggregate of \$100,000 per facility and no incentive was provided in the immediately preceding year
- Applicable for combined Prescriptive, Custom and New Construction Rebates

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<b>JEFF R. DEROUEN EXECUTIVE DIRECTOR</b>
TARIFF BRANCH <i>Brent Kirtley</i>
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**Adjustment Clause**

**DSM**

**Demand-Side Management Cost Recovery Mechanism**

**Customer Education and Public Information**

This program helps customers make sound energy-use decisions, increase control over energy bills and empower them to actively manage their energy usage. Customer Education and Public Information is accomplished through three processes: a mass-media campaign, an elementary- and middle-school program, and training for home construction professionals. The mass media campaign includes public-service advertisements that encourage customers to implement steps to reduce their energy usage. The elementary and middle school program provides professional development and innovative materials to K-8 schools to teach concepts such as basic energy and energy efficiency concepts. The training for home construction professionals provides education about new building codes, standards and energy efficient construction practices which support high performance residential construction.

**School Energy Management Program**

The School Energy Management program will facilitate the hiring and retention of qualified, trained energy specialists by public school districts to support facilitation of energy efficiency measures for public and independent schools under KRS 160.325.

**Commercial Advanced Metering Systems Incentives:**

The following Demand Side Management offering is available to residential customers receiving service from the Company on the GS Rate Schedule.

**Advanced Metering Systems**

The Advanced Metering Systems offering is designed to provide energy consumption data to customers on a more frequent basis than is traditionally available through monthly billing. The Program employs advanced meters to communicate hourly consumption data to customers through a website.

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<b>KENTUCKY PUBLIC SERVICE COMMISSION</b>
<b>JEFF R. DEROUEN EXECUTIVE DIRECTOR</b>
TARIFF BRANCH <i>Brent Kirkley</i>
EFFECTIVE <b>7/1/2015</b> PURSUANT TO 807 KAR 5:011 SECTION 9 (1)



# Kentucky Utilities Company

P.S.C. No. 17, Second Revision to Original Sheet No. 86.8  
Canceling P.S.C. No. 10, First Revision of Original Sheet No. 86.8

Adjustment Clause

DSM

Demand-Side Management Cost Recovery Mechanism

## Current Program Incentive Structures

### Residential Load Management / Demand Conservation

#### Switch Option:

- \$5/month bill credit for June, July, August, and September per air conditioning unit or heat pump on single family home.
- \$2/month bill credit for June, July, August, and September per electric water heater (40 gallon minimum) or swimming pool pump on single family home.
- If new customer registers by December 31, 2017, then a \$25 gift card per air-conditioning unit or heat pump, water-heater (40 gallon minimum) and/or swimming pool pump switch installed.
  - Customers in a tenant-landlord relationship will receive the entire \$25 new customer incentive.

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#### Multi-family Option:

- Tenant - \$2/month bill credit per customer for June, July, August, and September per air conditioning unit, heat pump, or electric water heater (40 gallon minimum).
- Entire Complex Enrollment – Property owner receives \$2/month incentive per air conditioning or heat pump switch to the premise owner for June, July, August, and September.
- If new customer registers by December 31, 2017, then a \$25 gift card per air-conditioning unit or heat pump installed, where:
  - Customers in a tenant/property owner relationship where the entire complex participates, the property owner will receive a \$25 bonus incentive per air conditioning unit, heat pump, or water heater (40 gallon minimum).
  - Customers in a tenant-landlord relationship where only a portion of the complex participates, the tenant will receive a \$25 gift card new customer incentive.

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### Residential Refrigerator Removal Program

The program provides \$50 per working refrigerator or freezer.



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State Regulation and Rates  
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<b>KENTUCKY PUBLIC SERVICE COMMISSION</b>
<b>Talina R. Mathews</b> EXECUTIVE DIRECTOR <i>Talina R. Mathews</i>
EFFECTIVE <b>12/30/2016</b> PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

**Adjustment Clause**

**DSM**

**Demand-Side Management Cost Recovery Mechanism**

**Commercial Load Management / Demand Conservation**

**Switch Option**

- \$5 per month bill credit for June, July, August, and September for air conditioning units up to 5 tons. An additional \$1 per month bill credit for each additional ton of air conditioning above 5 tons based upon unit rated capacity.

**Customer Equipment Interface Option**

The Company will offer a Load Management / Demand Response program tailored to a commercial customer's ability to reduce load. Program participants must commit to a minimum of 50 kW demand reduction per control event.

- \$25 per kW for verified load reduction during June, July, August, and September.
- The customer will have access to at least hourly load data for every month of the year which they remain enrolled in the program.
- Additional customer charges may be incurred for metering equipment necessary for this program at costs under other tariffs.

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<b>JEFF R. DEROUEN EXECUTIVE DIRECTOR</b>
TARIFF BRANCH <i>Brent Kirtley</i>
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# Kentucky Utilities Company

P.S.C. No. 17, Fifth Revision of Original Sheet No. 86.10  
 Canceling P.S.C. No. 17, Fourth Revision of Original Sheet No. 86.10

**Adjustment Clause** **DSM**  
**Demand-Side Management Cost Recovery Mechanism**

**Monthly Adjustment Factors**

Residential Service Rate RS, Residential Time-of-Day  
 Energy Service Rate RTOD-Energy, Residential  
 Time-of-Day Demand Service Rate RTOD-Demand,  
and Volunteer Fire Department Service Rate VFD

	<u>Energy Charge</u>	
DSM Cost Recovery Component (DCR)	\$ 0.00183 per kWh	
DSM Revenues from Lost Sales (DRLS)	\$ 0.00074 per kWh	
DSM Incentive (DSMI)	\$ 0.00003 per kWh	
DSM Capital Cost Recovery Component (DCCR)	\$ 0.00107 per kWh	
DSM Balance Adjustment (DBA)	\$(0.00003) per kWh	
Total DSMRC for Rates RS, RTOD-Energy, RTOD-Demand, and VFD	\$ 0.00364 per kWh	

General Service Rate GS\*

	<u>Energy Charge</u>	
DSM Cost Recovery Component (DCR)	\$ 0.00096 per kWh	
DSM Revenues from Lost Sales (DRLS)	\$ 0.00079 per kWh	
DSM Incentive (DSMI)	\$ 0.00004 per kWh	
DSM Capital Cost Recovery Component (DCCR)	\$ 0.00017 per kWh	
DSM Balance Adjustment (DBA)	\$ 0.00025 per kWh	
Total DSMRC for Rate GS	\$ 0.00221 per kWh	

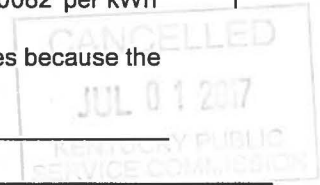
All Electric School Rate AES

	<u>Energy Charge</u>	
DSM Cost Recovery Component (DCR)	\$ 0.00030 per kWh	
DSM Revenues from Lost Sales (DRLS)	\$ 0.00023 per kWh	
DSM Incentive (DSMI)	\$ 0.00001 per kWh	
DSM Capital Cost Recovery Component (DCCR)	\$ 0.00058 per kWh	
DSM Balance Adjustment (DBA)	\$ 0.00006 per kWh	
Total DSMRC for Rate AES	\$ 0.00118 per kWh	

Power Service Rate PS\*, Time of Day Secondary Service  
 Rate TODS\*, Time-of-Day Primary Service Rate TODP\*,  
and Retail Transmission Service Rate RTS\*

	<u>Energy Charge</u>	
DSM Cost Recovery Component (DCR)	\$ 0.00030 per kWh	
DSM Revenues from Lost Sales (DRLS)	\$ 0.00023 per kWh	
DSM Incentive (DSMI)	\$ 0.00001 per kWh	
DSM Capital Cost Recovery Component (DCCR)	\$ 0.00025 per kWh	
DSM Balance Adjustment (DBA)	\$ 0.00003 per kWh	
Total DSMRC for Rates PS, TODS, TODP and RTS	\$ 0.00082 per kWh	

\* These charges do not apply to industrial customers taking service under these rates because the Company currently does not offer industrial DSM programs.



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<b>Talina R. Mathews</b> EXECUTIVE DIRECTOR  <i>Talina R. Mathews</i>
EFFECTIVE <b>3/30/2017</b> PURSUANT TO 807 KAR 5:011 SECTION 9 (1)