

# Louisville Gas and Electric Company

P.S.C. Gas No. 11, Original Sheet No. 86

Adjustment Clause

DSM

Demand-Side Management Cost Recovery Mechanism

## APPLICABLE

In all territory served.



## AVAILABILITY OF SERVICE

This schedule is mandatory to Residential Gas Service Rate RGS, Volunteer Fire Department Service Rate VFD, Firm Commercial Gas Service Rate CGS, Firm Industrial Gas Service Rate IGS, As-Available Gas Service Rate AAGS, Substitute Gas Sales Service Rate SGSS, and Firm Transportation Rate FT. T

## 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 100 cubic feet (Ccf) of monthly gas 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 Ccf sales for the upcoming twelve-month period to determine the DCR for such rate class. T

### 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/ Robert M. Conroy, Vice President  
State Regulation and Rates  
Louisville, Kentucky

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Public Service Commission in Case No.  
2016-00371 dated June 22, 2017 and modified June 29, 2017

KENTUCKY PUBLIC SERVICE COMMISSION
John Lyons ACTING EXECUTIVE DIRECTOR

EFFECTIVE 7/1/2017
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

# Louisville Gas and Electric Company

P.S.C. Gas No. 11, Original Sheet No. 86.1

Adjustment Clause

## DSM Demand-Side Management Cost Recovery Mechanism

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### DRLS = DSM REVENUE FROM LOST SALES (continued)

1. For each upcoming twelve-month period, the estimated reduction in customer usage (in Ccf) as determined for the approved programs shall be multiplied by the non-variable revenue requirement per Ccf for purposes of determining the lost revenue to be recovered hereunder for each customer class. The non-variable revenue requirement is defined as the weighted average price per Ccf of expected Distribution Charge billings for the customer classes.
2. The lost revenues for each customer class shall then be divided by the estimated class sales (in Ccf) for the upcoming twelve-month period to determine the applicable DRLS surcharge. Recovery of revenues from lost sales calculated for a twelve-month period shall be included in the DRLS for thirty-six (36) months or until implementation of new rates pursuant to a general rate case. For recovery purposes, the lost sales revenues will be assigned 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 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.

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State Regulation and Rates  
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KENTUCKY PUBLIC SERVICE COMMISSION
John Lyons ACTING EXECUTIVE DIRECTOR

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PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

# Louisville Gas and Electric Company

P.S.C. Gas No. 11, Original Sheet No. 86.2

Adjustment Clause

DSM

Demand-Side Management Cost Recovery Mechanism

**DSMI = DSM INCENTIVE** (continued)

The DSM incentive amount shall be divided by the expected Ccf sales for the upcoming twelve-month period to determine the DSMI. 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 determined by calculating the difference between the amount billed during the twelve-month period from application of the DBA unit charges and the balance adjustment amount established for the same twelve-month period.


The balance adjustment amounts determined on the basis of the above paragraphs (1)-(4) shall include 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 balance adjustment amounts, plus interest, shall be divided by the expected Ccf sales for the upcoming twelve-month period to determine the DBA for each 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.

**DATE OF ISSUE:** July 7, 2017

**DATE EFFECTIVE:** With Bills Rendered On and After December 31, 2011

**ISSUED BY:** /s/ Robert M. Conroy, Vice President  
State Regulation and Rates  
Louisville, Kentucky

**Issued by Authority of an Order of the  
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2011-00134 dated November 9, 2011**

<b>KENTUCKY PUBLIC SERVICE COMMISSION</b>
<b>John Lyons</b> ACTING EXECUTIVE DIRECTOR

EFFECTIVE <b>7/1/2017</b>
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

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# Louisville Gas and Electric Company

P.S.C. Gas No. 11, Original Sheet No. 86.3

Adjustment Clause

DSM

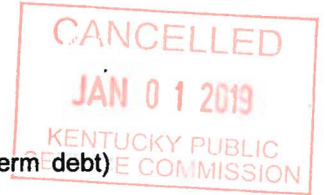
## Demand-Side Management Cost Recovery Mechanism

### 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).

### CHANGES TO DSMRC

The filing of modifications to the DSMRC that require changes in the DCR component shall be made at least two (2) months prior to the beginning of the effective period for billing. Modifications to other components of the DSMRC shall be made at least thirty (30) 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 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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DATE EFFECTIVE: May 31, 2012

ISSUED BY: /s/ Robert M. Conroy, Vice President  
State Regulation and Rates  
Louisville, Kentucky

<b>KENTUCKY PUBLIC SERVICE COMMISSION</b>
<b>John Lyons</b> ACTING EXECUTIVE DIRECTOR

EFFECTIVE <b>7/1/2017</b>
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)



# Louisville Gas and Electric Company

P.S.C. Gas No. 11, Original Sheet No. 86.5

Adjustment Clause

DSM

Demand-Side Management Cost Recovery Mechanism

## PROGRAMMATIC CUSTOMER CHARGES (continued)

### Customer Education and Public Information

This program help 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.

### Commercial Customer Program Participation Incentives:

The following Demand Side Management programs are available to commercial customers receiving service from the Company on the CGS, IGS, AAGS, SGSS, and FT Standard Gas Rate Schedules. T

### 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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State Regulation and Rates  
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# Louisville Gas and Electric Company

P.S.C. Gas No. 11, Second Revision of Original Sheet No. 86.6  
 Cancelling P.S.C. Gas No. 11, First Revision of Original Sheet No. 86.6

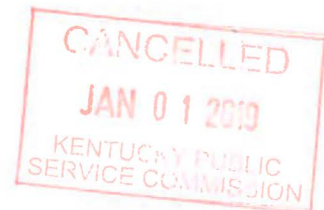
**Adjustment Clause** **DSM**  
**Demand-Side Management Cost Recovery Mechanism**

**Monthly Adjustment Factors:**

<u>Residential Gas Service Rate RGS and Volunteer Fire Department Service Rate VFD</u>	<u>Energy Charge</u>	
DSM Cost Recovery Component (DCR)	\$ 0.02120	per Ccf
DSM Revenues from Lost Sales (DRLS)	\$ 0.00059	per Ccf
DSM Incentive (DSMI)	\$ 0.00024	per Ccf
DSM Capital Cost Recovery Component (DCCR)	\$ 0.00000	per Ccf
DSM Balance Adjustment (DBA)	\$ <u>0.00201</u>	per Ccf
Total DSMRC for Rates RGS and VFD	\$ 0.02404	per Ccf

<u>Firm Commercial Gas Service Rate CGS, Firm Industrial Gas Service Rate IGS*, As-Available Gas Service Rate AAGS,* Substitute Gas Sales Service Rate SGSS* and Firm Transportation Service Rate FT*</u>	<u>Energy Charge</u>	
DSM Cost Recovery Component (DCR)	\$ 0.00104	per Ccf
DSM Revenues from Lost Sales (DRLS)	\$ 0.00000	per Ccf
DSM Incentive (DSMI)	\$ 0.00000	per Ccf
DSM Capital Cost Recovery Component (DCCR)	\$ 0.00000	per Ccf
DSM Balance Adjustment (DBA)	\$ <u>0.00013</u>	per Ccf
Total DSMRC for Rates CGS, IGS, AAGS, SGSS, and FT	\$ 0.00117	per Ccf

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



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**ISSUED BY:** /s/ Robert M. Conroy, Vice President  
 State Regulation and Rates  
 Louisville, Kentucky

<b>KENTUCKY PUBLIC SERVICE COMMISSION</b>
Gwen R. Pinson Executive Director
<i>Gwen R. Pinson</i>
EFFECTIVE <b>4/1/2018</b> PURSUANT TO 807 KAR 5:011 SECTION 9 (1)