

Louisville Gas and Electric Company

P.S.C. Gas No. 11, First Revision of Original Sheet No. 86
Canceling 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 the Company's Standard Gas Rate Schedules RGS, VFD, CGS, IGS, AAGS, SGSS, and FT. Descriptions of available Demand-Side Management and Energy Efficiency ("DSM-EE") programs begin on Sheet No. 86.4.

INDUSTRIAL OPT-OUT

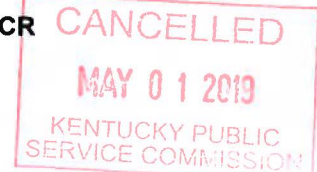
An industrial customer may elect not to participate in any DSM-EE programs hereunder, and therefore shall not be assessed a charge pursuant to this mechanism, with respect to any of the customer's energy-intensive meters (i.e., a meter served under Rate IGS, AAGS, SGSS or FT) if the customer has implemented with respect to the load served by each such meter cost-effective energy-efficiency measures not subsidized by other rate classes. Nonresidential customers will be considered "industrial" for the purposes of Adjustment Clause DSM if they are engaged in activities primarily using gas in a process or processes involving either the extraction of raw materials from the earth or a change of raw or unfinished materials into another form or product. To opt out, an industrial customer must complete and return to Company the Demand-Side Management and Energy Efficiency Industrial Opt-Out Notification Form (available at the Company's website at <http://www.lge-ku.com>). The full terms and conditions of opting out and any subsequent opting in are contained in the Demand-Side Management and Energy Efficiency Industrial Opt-Out Notification Form. Only those industrial customer meters that are energy intensive (i.e., served under Rates IGS, AAGS, SGSS or FT) may be exempted from charges under Adjustment Clause DSM; an industrial customer's other accounts will be subject to Adjustment Clause DSM.

An industrial customer desiring to opt back into charges under this mechanism for one or more opted-out meters must complete and return to Company the Demand-Side Management and Energy Efficiency Industrial Opt-In Notification Form (available at the Company's website at <http://www.lge-ku.com>). The full terms and conditions of opting in are contained in the Demand-Side Management and Energy Efficiency Industrial Opt-In Notification Form.

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:

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



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State Regulation and Rates
Louisville, Kentucky

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KENTUCKY PUBLIC SERVICE COMMISSION
Gwen R. Pinson Executive Director
EFFECTIVE 1/1/2019 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

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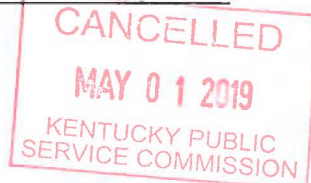
Louisville Gas and Electric Company

P.S.C. Gas No. 11, First Revision of Original Sheet No. 86.1
Canceling P.S.C. Gas No. 11, Original Sheet No. 86.1

Adjustment Clause

DSM

Demand-Side Management Cost Recovery Mechanism



RATE (continued)

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.

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:

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).

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Louisville Gas and Electric Company

P.S.C. Gas No. 11, First Revision of Original Sheet No. 86.2
Canceling P.S.C. Gas No. 11, Original Sheet No. 86.2

Adjustment Clause

DSM

Demand-Side Management Cost Recovery Mechanism

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 DBA and (b) the prospective future lost revenues collected hereunder.

DSMI = DSM INCENTIVE.

For all Energy Impact Programs, the DSMI 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.

The DSMI amount shall be divided by the expected Ccf sales for the upcoming twelve-month period to determine the DSMI. DSMI 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.

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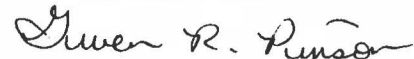
DATE EFFECTIVE: With Service Rendered On and
After January 1, 2019

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State Regulation and Rates
Louisville, Kentucky

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1/1/2019

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

Louisville Gas and Electric Company

P.S.C. Gas No. 11, First Revision of Original Sheet No. 86.3
Canceling P.S.C. Gas No. 11, Original Sheet No. 86.3

Adjustment Clause

DSM

Demand-Side Management Cost Recovery Mechanism

DBA = DSM BALANCE ADJUSTMENT (continued)

- (4) For the DCCR, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DCCR unit charge and the capital cost recovery amount determined for the actual capital costs of the approved programs during the twelve-month period.
- (5) 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)-(5) 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. DBA amounts will be assigned for recovery purposes to the rate classes for which over- or under-recoveries of DSM amounts were realized.

DCCR = DSM CAPITAL COST RECOVERY

The DCCR component is the means by which the Company recovers its capital investments made for DSM-EE 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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Louisville Gas and Electric Company

P.S.C. Gas No. 11, Second Revision of Original Sheet No. 86.4
Cancelling P.S.C. Gas No. 11, First Revision of Original Sheet No. 86.4

Adjustment Clause

DSM

Demand-Side Management Cost Recovery Mechanism

CHANGES TO DSMRC

Modifications to components of the DSMRC shall be made at least thirty (30) days prior to the effective date. Each filing shall include the following information as applicable:

- (1) A detailed description of each DSM-EE 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 service rendered on and after the effective date of such change.

RESIDENTIAL CUSTOMER PROGRAM PARTICIPATION INCENTIVES

The following DSM-EE program is available to residential customers receiving service from the Company on the RGS and VFD Standard Gas Rate Schedules.

Low Income Weatherization Program (WeCare)

This is an education and weatherization program designed to reduce energy consumption of income-qualified customers. The program provides energy audits, energy education, and installation of weatherization and energy conservation measures in qualified single-family homes as well as tenant units and common areas of qualifying multifamily properties. 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.

NONRESIDENTIAL CUSTOMER PROGRAM PARTICIPATION INCENTIVES

The following DSM-EE program is available to nonresidential customers receiving service from the Company on the CGS, IGS, AAGS, SGSS, and FT Standard Gas Rate Schedules for nonresidential, master-metered multi-family buildings.

Low Income Weatherization Program (WeCare)

This is an education and weatherization program designed to reduce energy consumption of income-qualified customers. The program provides energy audits, energy education, and installation of weatherization and energy conservation measures in qualified single-family homes as well as tenant units and common areas of qualifying multifamily properties. 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.

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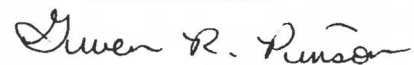
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State Regulation and Rates
Louisville, Kentucky

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Louisville Gas and Electric Company

P.S.C. Gas No. 11, Second Revision of Original Sheet No. 86.5
 Canceling P.S.C. Gas No. 11, First Revision of Original Sheet No. 86.5

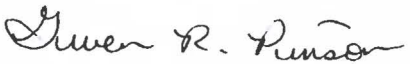
Adjustment Clause **DSM**
Demand-Side Management Cost Recovery Mechanism

DSM Cost Recovery Component (DSMRC)
Monthly Adjustment Factors:

<u>Rates RGS and VFD</u>	<u>Energy Charge</u>	
DSM Cost Recovery Component (DCR)	\$ 0.00202 per Ccf	
DSM Revenues from Lost Sales (DRLS)	\$ 0.00042 per Ccf	
DSM Incentive (DSMI)	\$ 0.00000 per Ccf	
DSM Capital Cost Recovery Component (DCCR)	\$ 0.00000 per Ccf	
DSM Balance Adjustment (DBA)	\$ (0.00449) per Ccf	R
Total DSMRC for Rates RGS and VFD	\$ (0.00205) per Ccf	R
<u>Rates CGS, IGS, AAGS, SGSS, Rate FT</u>	<u>Energy Charge</u>	
DSM Cost Recovery Component (DCR)	\$ 0.00062 per Ccf	T
DSM Revenues from Lost Sales (DRLS)	\$ 0.00010 per Ccf	
DSM Incentive (DSMI)	\$ 0.00000 per Ccf	
DSM Capital Cost Recovery Component (DCCR)	\$ 0.00000 per Ccf	
DSM Balance Adjustment (DBA)	\$ (0.00051) per Ccf	R
Total DSMRC for Rates CGS, IGS, AAGS, SGSS, and FT	\$ 0.00021 per Ccf	R

CANCELLED
MAY 01 2019
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 SERVICE COMMISSION

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

KENTUCKY PUBLIC SERVICE COMMISSION
Gwen R. Pinson Executive Director 
EFFECTIVE 4/1/2019 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)