

LOUISVILLE GAS AND ELECTRIC COMPANY

2nd Rev. SHEET NO. 23-B

CANCELLING 1st Rev. SHEET NO. 23-B

P.S.C. OF KY. ELECTRIC NO. 4

DSMRM

Demand-Side Management Cost Recovery Mechanism

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Applicable to: Residential Rate R, General Service Rate GS, Large Commercial Rate LC, Large Commercial Time-of-Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD. Customers served under Industrial Power Time-of-Day Rate LP-TOD who elect not to participate in a demand-side management program hereunder shall not be assessed a charge pursuant to this mechanism.

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 and, where applicable, a rate per kilowatt of monthly billing demand, in accordance with the following formula:

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

Where: DCR = DSM COST RECOVERY. The DCR shall include all expected costs which have been approved by the Commission for each twelve-month period for demand-side management programs which have been developed by a collaborative 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 avoided capacity and energy costs resulting from each program.

The cost of approved programs assigned or allocated to Residential Rate R or General Service Rate GS shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DCR for such rate class. The cost of approved programs assigned or allocated to Large Commercial Rate LC, Large Commercial Time-of-Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD shall be allocated as either demand-related or energy-related on the basis of 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 LG&E's avoided costs over the expected life of the program, and will include both capacity and energy savings. The demand-related program costs thus determined shall be divided by the expected billing demand in kilowatt-months for the upcoming twelve-month period

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ISSUED BY Victor A. Staffieri and Corporate Secretary Louisville, Kentucky
Sr. Vice Pres.-Gen. Counsel
PUBLIC SERVICE COMMISSION MANAGER

NAME

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

DRLS = DSM REVENUE FROM LOST SALES. For Residential Rate R, revenues from lost sales due to DSM will be recovered through the decoupling of revenues from actual sales. At the end of each twelve-month period after implementation of the Demand-Side Management Cost Recovery Mechanism, the non-variable revenue requirement (total revenue requirement less variable costs) approved for Residential Rate R in LG&E's most recent general rate case will be adjusted to reflect changes in the number of customers and the usage per customer as follows: (1) the non-variable revenue requirement in LG&E's most recent general rate case will be divided by the test-year-end number of customers in order to obtain the average non-variable revenue requirement per customer, which will then be multiplied by the average number of customers during the twelve-month period, (i.e., the sum of the monthly number of customers divided by twelve), (2) the non-variable revenue requirement will be multiplied by a factor F_g calculated by the following formula:

$$F_g = (1 + g)^{n/12}$$

Where: g = Growth factor (.0131), and
 n = the number of months from the end of the test year in the most recent rate case to the end of the current twelve-month period.

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BY: Jordan C. Neek
 FOR THE PUBLIC SERVICE COMMISSION

At the end of each twelve-month period after implementation of the Demand-Side Management Cost Recovery Mechanism, the difference between the actual non-variable revenue billed during the twelve-month period and the adjusted non-variable revenue requirement, as described above, will be determined. This difference ("DRLS amount established for the twelve-month period") will be divided by the estimated kilowatt-hour sales for the upcoming twelve-month period to determine the DRLS for Residential Rate R.

For General Service Rate GS, Large Commercial Rate LC, Large Commercial Time-of-Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD ("non-residential rate classes"), the DRLS shall be computed by multiplying the amount of kilowatt-hour sales and, where applicable, the kilowatt-months of billing demand that will be lost for each twelve-month period as a result of the implementation of the

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approved programs times the energy charge for the applicable rate schedule, less the variable cost included in the charge, and the demand charges, respectively. The amount of lost energy revenues or demand revenues thus determined shall then be divided by the expected kilowatt-hour sales or expected billing demand in kilowatt-months for the upcoming twelve-month period to determine the DRLS. The lost revenue attributable to decreased sales under General Service Rate GS, Large Commercial Rate LC, and Large Commercial Time-of-Day Rate LC-TOD 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 and billing demand in kilowatt-months. The lost revenues attributable to decreased sales under Industrial Power Rate LP and Industrial Power Time-of-Day Rate LP-TOD due to approved programs will be calculated through actual measured levels of decreased kilowatt-hour energy sales and billing demand in kilowatt-months, adjusted for other factors (i.e., effects of weather and changes in production at the facility) to achieve the most accurate measurement of lost revenues. Recovery of revenues from lost sales calculated for a twelve-month period for non-residential rate classes shall be included in the DRLS for 36 months or until terminated by the 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.

DSMI = DSM INCENTIVE. The DSM incentive 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 fifteen (15) 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 LG&E'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 Residential Rate R or General Service Rate GS shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DSMI for such rate class. The DSM incentive amount related to programs for Large Commercial Rate LC, Large Commercial Time-of-Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD shall be allocated as either demand-related or energy-related in the same manner as programs costs are allocated as demand- or energy related. The demand-related DSM incentive amount thus determined shall be divided by the expected billing demand in kilowatt-months for the upcoming twelve-month period to determine the demand-related DSMI for such rate class. The energy-related incentive amount thus determined shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the

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BY: [Signature]
PUBLIC SERVICE COMMISSION MANAGER

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LOUISVILLE GAS AND ELECTRIC COMPANY

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energy-related 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 is used to reconcile the difference between the amount of revenues actually billed through the DCR, DRLS, DSMI and previous application of the DBA and the revenues which 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 applicable to Residential Rate R, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from the application of the DRLS unit charge and the DRLS amount established for the same twelve month period.

For the DRLS applicable to other rate schedules, 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 or 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.

For Large Commercial Rate LC, Large Commercial Time-of-Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD, the above balance adjustment amounts will separated into both demand- and energy-related components. The balance adjustment amounts determined on the basis of the above paragraphs (1)-(4) shall include interest

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applied to the monthly amounts, such interest to be calculated at a rate equal to the average of the "3-month Commercial Paper Rate" for the immediately preceding 12-month period. The total of the demand-related balance adjustment amounts, plus interest, shall be divided by the expected billing demand in kilowatt-months for the upcoming twelve-month period to determine the demand-related DBA for such rate class. The total of the energy-related balance adjustment amounts shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the energy-related DBA for such rate class. 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 DSMRC will be assigned or allocated to LG&E's electric or gas customers on the basis of the estimated net electric or gas resource savings resulting from each program.

The filing of modifications to the DSMRC which require changes in the DCR component shall be made at least two months prior to the beginning of the effective period for billing. Modifications to other 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 which 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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DSMRM

Demand-Side Management Cost Recovery Mechanism (continued)

Applicable to:

Residential Rate R, General Service Rate GS, Large Commercial Rate LC, Large Commercial Time-of-Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD.

DSM Cost Recovery Component (DSMRC):

<u>Residential Rate R</u>	<u>Energy Charge</u>
DSM Cost Recovery Component (DCR):	0.015 ¢/Kwh
DSM Revenues from Lost Sales (DRLS):	0.284 ¢/Kwh
DSM Incentive (DSMI):	0.000 ¢/Kwh
DSM Balance Adjustment (DBA):	(0.010) ¢/Kwh
 DSMRC Rate R:	 0.289 ¢/Kwh

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General Service Rate GS

DSM Cost Recovery Component (DCR):	0.012 ¢/Kwh
DSM Revenues from Lost Sales (DRLS):	0.000 ¢/Kwh
DSM Incentive (DSMI):	0.000 ¢/Kwh
DSM Balance Adjustment (DBA):	(0.008) ¢/Kwh

DSMRC Rate GS:

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0.004 ¢/Kwh

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BY: Stephen O. Bell
SECRETARY OF THE COMMISSION

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April 1, 1998

ISSUED BY Stephen R. Wood

President

Louisville, KY

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LOUISVILLE GAS AND ELECTRIC COMPANY

5th Rev. SHEET NO. 23-H
CANCELLING 4th Rev. SHEET NO. 23-H

P.S.C. OF KY. ELECTRIC NO. 4

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DSM Cost Recovery Component (DSMRC):
(Continued)Energy ChargeLarge Commercial Rate LC

DSM Cost Recovery Component (DCR):	0.005 ¢/Kwh	
DSM Revenues from Lost Sales (DRLS):	0.000 ¢/Kwh	
DSM Incentive (DSMI):	0.000 ¢/Kwh	
DSM Balance Adjustment (DBA):	(0.003) ¢/Kwh	
DSMRC Rate LC	0.002 ¢/Kwh	R

Large Commercial Time-of-Day Rate LC-TOD

DSM Cost Recovery Component (DCR):	0.010 ¢/Kwh	
DSM Revenues from Lost Sales (DRLS):	0.000 ¢/Kwh	
DSM Incentive (DSMI):	0.000 ¢/Kwh	
DSM Balance Adjustment (DBA):	(0.007) ¢/Kwh	
DSMRC Rate LC-TOD	0.003 ¢/Kwh	R

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P.S.C. OF KY. ELECTRIC NO. 4

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DSM Cost Recovery Component (DSMRC):
(Continued)

	<u>Demand Charge</u>	<u>Energy Charge</u>
<u>Industrial Power Rate LP</u>		
DSM Cost Recovery Component (DCR):	\$0.00 /Kw/Month	0.000 ¢/Kwh
DSM Revenues from Lost Sales (DRLS):	\$0.00 /Kw/Month	0.000 ¢/Kwh
DSM Incentive (DSMI):	\$0.00 /Kw/Month	0.000 ¢/Kwh
DSM Balance Adjustment (DBA):	\$0.00 /Kw/Month	0.000 ¢/Kwh
DSMRC Rate LP	\$0.00 /Kw/Month	0.000 ¢/Kwh

Industrial Power Time-of-Day Rate LP-TOD

DSM Cost Recovery Component (DCR):	\$0.00 /Kw/Month	0.000 ¢/Kwh
DSM Revenues from Lost Sales (DRLS):	\$0.00 /Kw/Month	0.000 ¢/Kwh
DSM Incentive (DSMI):	\$0.00 /Kw/Month	0.000 ¢/Kwh
DSM Balance Adjustment (DBA):	\$0.00 /Kw/Month	0.000 ¢/Kwh
DSMRC Rate LP-TOD	\$0.00 /Kw/Month	0.000 ¢/Kwh

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