

DSMRM

Demand-Side Management Cost Recovery Mechanism

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 Rate LP and 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 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 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 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 and will be recovered as follows:

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 and General Service customer class is defined as the weighted average price per Kwh of expected billings under

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DSMRM

Demand-Side Management Cost Recovery Mechanism (Continued)

the energy charges contained in the Rate R and GS 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 (Rates LC, LC-TOD, LP and LP-TOD 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.

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 programs which 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 LG&E's avoided costs over the expected life of the program, and will include both capacity and energy savings. For Energy Education and Direct Load Control Programs, the DSM incentive amount shall be computed by multiplying the annual cost of the approved programs which are to be installed during the upcoming twelve-month period times five (5) percent.

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BY *Stephan D. Beer*
SECRETARY OF THE COMMISSION

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Demand-Side Management Cost Recovery Mechanism (Continued)

The DSM incentive amount related to programs for 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 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 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 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.

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 "3-month Commercial Paper Rate" for the immediately preceding 12-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 to which over- or under-recoveries of DSM amounts were realized.

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.

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Demand-Side Management Cost Recovery Mechanism (Continued)

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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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):

Residential Rate R

Energy Charge

DSM Cost Recovery Component (DCR):

0.084 ¢/Kwh

DSM Revenues from Lost Sales (DRLS):

0.004 ¢/Kwh

DSM Incentive (DSMI):

0.004 ¢/Kwh

DSM Balance Adjustment (DBA):

(0.004) ¢/Kwh

DSMRC Rate R:

0.088 ¢/Kwh

General Service Rate GS

DSM Cost Recovery Component (DCR):

0.017 ¢/Kwh

DSM Revenues from Lost Sales (DRLS):

0.007 ¢/Kwh

DSM Incentive (DSMI):

0.000 ¢/Kwh

DSM Balance Adjustment (DBA):

(0.006) ¢/Kwh

DSMRC Rate GS:

0.018 ¢/Kwh

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EXECUTIVE DIRECTOR

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Demand-Side Management Cost Recovery Mechanism (Continued)

DSM Cost Recovery Component (DSMRC):

(Continued)

Large Commercial Rate LC

DSM Cost Recovery Component (DCR):	0.008 ¢/Kwh
DSM Revenues from Lost Sales (DRLS):	0.004 ¢/Kwh
DSM Incentive (DSMI):	0.000 ¢/Kwh
DSM Balance Adjustment (DBA):	(0.002) ¢/Kwh

DSMRC Rate LC: 0.010 ¢/Kwh

Large Commercial Time-of-Day Rate LC-TOD

DSM Cost Recovery Component (DCR):	0.006 ¢/Kwh
DSM Revenues from Lost Sales (DRLS):	0.005 ¢/Kwh
DSM Incentive (DSMI):	0.000 ¢/Kwh
DSM Balance Adjustment (DBA):	(0.001) ¢/Kwh

DSMRC Rate LC-TOD:

Energy Charge

(0.001) ¢/Kwh
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0.010 ¢/Kwh
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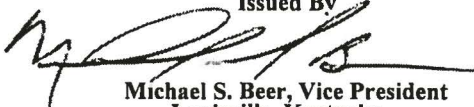
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Demand-Side Management Cost Recovery Mechanism (Continued)

DSM Cost Recovery Component (DSMRC):
(Continued)

Industrial Power Rate LP

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

Industrial Power Time-of-Day Rate LP-TOD

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

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