

Kentucky Utilities Company

P.S.C. No. 18, First Revision of Original Sheet No. 86
Canceling P.S.C. No. 18, 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 Rate Schedules RS, RTOD-Energy, RTOD-Demand, VFD, GS, AES, PS, TODS, TODP, RTS, FLS, and OSL. 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 RTS, FLS, or TODP) 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 electricity 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 Rate RTS, FLS, or TODP) 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 kilowatt hour of monthly consumption in accordance with the following formula:

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



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

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Public Service Commission in Case No.
2017-00441 dated October 5, 2018 and modified October 30, 2018

KENTUCKY
PUBLIC SERVICE COMMISSION

Gwen R. Pinson
Executive Director

A handwritten signature in black ink that reads "Gwen R. Pinson".

EFFECTIVE

1/1/2019

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

Kentucky Utilities Company

P.S.C. No. 18, First Revision of Original Sheet No. 86.1
Canceling P.S.C. No. 18, 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 DSM-EE 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-EE 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-EE programs implemented on and after the effective date of this tariff will be recovered as follows:

- 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 RS, RTOD-Energy, VFD, GS and AES 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, RTS, FLS, and OSL) 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.
- 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 thirty-six (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.

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State Regulation and Rates
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KENTUCKY PUBLIC SERVICE COMMISSION
Gwen R. Pinson Executive Director
<i>Gwen R. Pinson</i>
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Kentucky Utilities Company

P.S.C. No. 18, First Revision of Original Sheet No. 86.2
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Adjustment Clause

DSM

Demand-Side Management Cost Recovery Mechanism

RATE (continued)

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

DSMI = DSM INCENTIVE

For all Energy Impact Programs except Residential and Small Nonresidential Demand Conservation and the Large Nonresidential Demand Conservation 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 related to programs for Rates RS, RTOD-Energy, RTOD-Demand, Rate VFD, GS, AES, PS, TODS, TODP, RTS, FLS, and OSL shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DSMI for such rate class. 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.

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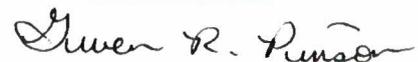
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P.S.C. No. 18, First Revision of Original Sheet No. 86.3
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Adjustment Clause

DSM

Demand-Side Management Cost Recovery Mechanism

RATE (continued)

- 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 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 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)-(5) 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.

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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Kentucky Utilities Company

P.S.C. No. 18, Second Revision of Original Sheet No. 86.4
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Adjustment Clause

DSM

Demand-Side Management Cost Recovery Mechanism

RATE (continued)

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, DCCR, 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 Programs are available to residential customers receiving service from the Company on the RS, RTOD-Energy, RTOD-Demand, and VFD Standard Electric Rate Schedules.

Residential and Small Nonresidential Demand Conservation Program

This 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. As of the Date Effective shown below, no additional electric water heaters or pool pumps will be equipped with switches under this program.

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 results of an energy audit.

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State Regulation and Rates
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Kentucky Utilities Company

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Adjustment Clause

DSM

Demand-Side Management Cost Recovery Mechanism

RESIDENTIAL ADVANCED METERING SYSTEMS INCENTIVES:

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

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Advanced Metering Systems Customer Service Offering

This 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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NONRESIDENTIAL CUSTOMER PROGRAM PARTICIPATION INCENTIVES:

The following DSM-EE programs are available to nonresidential customers receiving service from the Company on the GS, AES, PS, TODS, TODP, RTS, FLS, and OSL Standard Electric Rate Schedules.

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Residential and Small Nonresidential Demand Conservation Program

This program employs switches 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. As of the Date Effective shown below, no additional electric water heaters or pool pumps will be equipped with switches under this program.

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Large Nonresidential Demand Conservation Program

This program employs interfaces to customer equipment to help reduce the demand for electricity during peak times. The program communicates with the interfaces to cycle equipment. This program has an approved flexible incentive structure.

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Nonresidential Rebates Program

This 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 nonresidential customers are based upon the avoided cost of energy 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 energy savings. New construction rebates are available on savings over code plus bonus rebates for LEED certification.

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- 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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Executive Director



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

Kentucky Utilities Company

P.S.C. No. 18, Second Revision of Original Sheet No. 86.6
Canceling P.S.C. No. 18, First Revision of Original Sheet No. 86.6

Adjustment Clause

DSM

Demand-Side Management Cost Recovery Mechanism

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 results of an energy audit..

NONRESIDENTIAL ADVANCED METERING SYSTEMS INCENTIVE:

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

Advanced Metering Systems Customer Service Offering

This 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.

PROGRAM INCENTIVE STRUCTURES

Residential and Small Nonresidential Demand Conservation Program

For each load-control season (June 1 through September 30), a participant will receive an end-of-season incentive only if both of the following conditions are met: (1) a Load Control Event is called during that season and (2) the participant was enrolled in the program during at least one Load Control Event that season. If these conditions are met, then an end-of-season bill credit of \$5 will be paid for each central air conditioning unit or heat pump enabled with a switch. Load Control Events do not include short-duration switch activations (i.e., ten minutes or less) called SCRAM events.

Large Nonresidential Demand Conservation

This program is tailored to a large nonresidential customer's ability to reduce load. Program participants must commit to a minimum of 50 kW demand reduction per control event.

- \$15 per kW for verified load reduction. For each load-control season (June 1 through September 30), a participant will receive an end-of-season incentive only if both of the following conditions are met: (1) a Load Control Event is called during that season; and (2) the participant was enrolled in the program during at least one Load Control Event that season.

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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and After January 1, 2019

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Executive Director



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Kentucky Utilities Company

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

DSM Cost Recovery Component (DSMRC)
Monthly Adjustment Factors:

<u>Rates RS, RTOD-Energy, RTOD-Demand, VFD</u>	<u>Energy Charge</u>	
DSM Cost Recovery Component (DCR)	\$ 0.00048 per kWh	
DSM Revenues from Lost Sales (DRLS)	\$ 0.00006 per kWh	
DSM Incentive (DSMI)	\$ 0.00000 per kWh	
DSM Capital Cost Recovery Component (DCCR)	\$ 0.00055 per kWh	I
DSM Balance Adjustment (DBA)	\$ (0.00041) per kWh	R
Total DSMRC for Rates RS, RTOD-Energy, RTOD-Demand, and VFD	\$ 0.00068 per kWh	R
<u>Rate GS</u>	<u>Energy Charge</u>	
DSM Cost Recovery Component (DCR)	\$ 0.00035 per kWh	
DSM Revenues from Lost Sales (DRLS)	\$ 0.00026 per kWh	
DSM Incentive (DSMI)	\$ 0.00000 per kWh	
DSM Capital Cost Recovery Component (DCCR)	\$ 0.00012 per kWh	I
DSM Balance Adjustment (DBA)	\$ (0.00028) per kWh	R
Total DSMRC for Rate GS	\$ 0.00045 per kWh	R
<u>Rate AES</u>	<u>Energy Charge</u>	
DSM Cost Recovery Component (DCR)	\$ 0.00074 per kWh	
DSM Revenues from Lost Sales (DRLS)	\$ 0.00107 per kWh	
DSM Incentive (DSMI)	\$ 0.00000 per kWh	
DSM Capital Cost Recovery Component (DCCR)	\$ 0.00103 per kWh	
DSM Balance Adjustment (DBA)	\$ (0.00017) per kWh	R
Total DSMRC for Rate AES	\$ 0.00267 per kWh	R
<u>Rates PS, TODS, TODP, RTS, FLS, OSL</u>	<u>Energy Charge</u>	
DSM Cost Recovery Component (DCR)	\$ 0.00029 per kWh	
DSM Revenues from Lost Sales (DRLS)	\$ 0.00023 per kWh	
DSM Incentive (DSMI)	\$ 0.00000 per kWh	
DSM Capital Cost Recovery Component (DCCR)	\$ 0.00010 per kWh	
DSM Balance Adjustment (DBA)	\$ (0.00002) per kWh	I
Total DSMRC for Rates PS, TODS, TODP, RTS, FLS, and OSL	\$ 0.00060 per kWh	I

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 KENTUCKY PUBLIC
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 State Regulation and Rates
 Lexington, Kentucky

**Issued by Authority of an Order of the
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KENTUCKY PUBLIC SERVICE COMMISSION
Gwen R. Pinson Executive Director

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