

RIDER DR-SAW

ENERGY EFFICIENCY COST RECOVERY RIDER

APPLICABILITY

Applicable to service rendered under the provisions of Rates RS, ORH, TD-AM, TD, RS3P, RSLI, TD-CPP_LITE, and TD-LITE (residential class) and Rates DS, DM, DP, TS, EH, GS-FL, SFL-ADPL, RTP and CUR (non-residential class). A mercantile customer, whose total annual usage in the Company's certified service territory exceeds 700,000 kWh or who is part of a national account involving multiple locations, may be exempt from this tariff by complying with the Commission's rules regarding exemption. The customer must provide written notification which will list all of their accounts to be exempted from this tariff. Customers electing to be exempted from the program will not be credited for any periods previously billed.

CHARGES

The monthly amount computed under each of the rate schedules to which this rider is applicable shall be increased or decreased by the energy DR-SAW Charge 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:

$$\text{DR-SAW (residential)} = \frac{\text{ACDRC} + \text{ACCOE} + \text{ACCOC} + \text{LM} + \text{TUA, as assigned to the residential class of customers}}{S_{\text{residential}}}$$

$$\text{DR-SAW (non-residential)} = \frac{\text{ACDRC} + \text{ACCOE} + \text{ACCOC} + \text{LM} + \text{TUA, as assigned to the non-residential class of customers}}{S_{\text{non-residential}}}$$

Where:

- DR-SAW = Energy Efficiency Adjustment Amount
- ACDRC = Avoided Cost of Capacity for Demand Response Revenue Requirement
- ACCOE = Avoided Cost of Energy for Conservation Revenue Requirement
- ACCOC = Avoided Cost of Capacity for Conservation Revenue Requirement
- LM = Lost Margins
- TUA = True-up Adjustment to be included in the fourth year of the rider only
- S = Projected kWh Sales for the Rider Period for the class (residential or non-residential) of Ohio retail customers

DR-SAW is calculated for a 12 month period, referred to as the Rider Period.

DR-SAW will be grossed-up for applicable revenue related taxes.

Non-residential Rider DR-SAW recovery shall be allocated 1% to transmission service customers.

A transmission service customer that participates in the save-a-watt program will be charged the full Rider DR-SAW non-residential rate.

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CHARGES (Continued)

$$\text{ACDRC} = \text{PDRC} \times \text{ACC} \times \text{X}\%$$

Where:

- PDRC = Projected Demand impacts for the measure/program for the vintage applicable to the Rider Period
- ACC = Annual Avoided Capacity Market-Based Rate, in \$/year for the year of the Rider Period
- X% = Percentage of avoided costs for demand response to be collected through the rider

$$\text{ACCOE} = (\text{NPV at the after-tax weighted average cost of capital of (PCOE} \times \text{ACE) for each year for the life of the measure/program}) \times \text{Y}\%$$

Where:

- PCOE = Projected Energy impacts for the measure/program by year for the life of the measure/program for the vintage applicable to the Rider Period
- ACE = Marginal energy cost rate by year for the life of the measure/program from the IRP analysis
- Y% = Percentage of avoided costs for conservation to be collected through the rider

$$\text{ACCOC} = (\text{NPV at the after-tax weighted average cost of capital of (PCOC} \times \text{ACC) for each year for the life of the measure/program}) \times \text{Y}\%$$

Where:

- PCOC = Projected Demand impacts for the measure/program by year for the life of the measure/program for the vintage applicable to the Rider Period
- ACC = Annual Avoided Capacity Market-Based Rate, in \$/year by year for the life of the measure/program escalated at Z.ZZ% per year
- Y% = Percentage of avoided costs for conservation to be collected through the rider

$$\text{LM} = \text{PLME} \times \text{LMR}$$

Where:

- PLME = Projected Energy impacts for all measures/programs for the vintage applicable to the Rider Period
- LMR = Average Retail \$/kWh excluding fuel and generation-related charges

In the fourth Rider Period, a true-up amount will be included in the Rider DR-SAW rate as follows:

$$\text{TUA} = \text{ACT} + \text{LMT} + \text{ECT}$$

Where:

- ACT = Avoided Cost True-up
- LMT = Lost Margins True-up
- ECT = Earnings Cap True-up

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CHARGES (Continued)

$$ACT = ADRCT + ACOET + ACOCT$$

Where:

- ADRCT = Avoided Demand Response Capacity True-up
- ACOET = Avoided Conservation Energy True-up
- ACOCT = Avoided Conservation Capacity True-up

$$ADRCT = (\text{Year 1}((ADRC - PDRC) \times ACC) + \text{Year 2}((ADRC - PDRC) \times ACC) + \text{Year 3}((ADRC - PDRC) \times ACC)) \times X\%$$

Where:

- ADRC = Actual Demand impacts for the measure/program for each vintage year
- PDRC = Projected Demand impacts for the measure/program for each vintage year as used in the Rider DR-SAW calculation for each year
- ACC = Annual Avoided Capacity Market-Based Rate, in \$/year for the each vintage year as used in the Rider DR-SAW calculation each year
- X% = Percentage of avoided costs for demand response collected through the rider

$$ACOET = (\text{NPV at the after-tax weighted average cost of capital of (Year 1}((ACOE - PCOE) \times ACE) \text{ for each year for the life of the measure/program) + (NPV at the after-tax weighted average cost of capital of (Year 2}((ACOE - PCOE) \times ACE) \text{ for each year for the life of the measure/program) + (NPV at the after-tax weighted average cost of capital of (Year 3}((ACOE - PCOE) \times ACE) \text{ for each year for the life of the measure/program) } \times Y\%$$

Where:

- ACOE = Actual Energy impacts for the measure/program by year for the life of the measure/program for years 1-3 and projected Energy impacts for the measure/program for the remaining years of the life of the measure/program by vintage year
- PCOE = Projected Energy impacts for the measure/program by year for the life of the measure/program for each vintage as used in the Rider DR-SAW calculation each year
- ACE = Marginal energy cost rate by year for the life of the measure/program from the IRP analysis as used in the Rider DR-SAW calculation each year
- Y% = Percentage of avoided costs for conservation collected through the rider

$$ACOCT = (\text{NPV at the after-tax weighted average cost of capital of (Year 1}((ACOC - PCOC) \times ACC) \text{ for each year for the life of the measure/program) + (NPV at the after-tax weighted average cost of capital of (Year 2}((ACOC - PCOC) \times ACC) \text{ for each year for the life of the measure/program) + (NPV at the after-tax weighted average cost of capital of (Year 3}((ACOC - PCOC) \times ACC) \text{ for each year for the life of the measure/program) } \times Y\%$$

Where:

- ACOC = Actual Demand impacts for the measure/program by year for the life of the measure/program for years 1-3 and projected Demand impacts for the measure/program for the remaining years in the life of the measure/program by vintage year

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CHARGES (Continued)

- PCOC = Projected Demand impacts for the measure/program by year for the life of the measure/program for the vintage as used in the Rider DR-SAW calculation each year
- ACC = Annual Avoided Capacity Market-Based Rate, in \$/year by year for the life of the measure/program escalated at Z.ZZ% per year as used in the Rider DR-SAW calculation each year
- Y% = Percentage of avoided costs for conservation to be collected through the rider

$$LMT = \text{Year 1}(\text{ALME} - \text{PLME}) \times \text{LMR} + \text{Year 2}(\text{ALME} - \text{PLME}) \times \text{LMR} + \text{Year 3}(\text{ALME} - \text{PLME}) \times \text{LMR}$$

Where:

- ALME = Actual Energy impacts for all measures/programs for the vintage
- PLME = Projected Energy impacts for all measures/programs for the vintage as used in the Rider DR-SAW calculation each year
- LMR = Average Retail \$/kWh excluding fuel and generation-related charges as used in the Rider DR-SAW calculation each year

ECT = NIC minus (Greater of NIC or CNI) grossed-up for applicable income and revenue related taxes

Where:

- NIC = Net Income Cap
- CNI = Calculated Net Income

$$\text{NIC} = \text{ROIP} \times \text{APC}$$

Where:

- ROIP = Return on Investment Cap Percentage
- APC = Actual Program Costs for the Years 1-3

ROIP is derived from the following table:

Percentage of Mandate Achieved	Cumulative Return on Investment Cap Percentage (ROIP)
> 125%	15%
116% to 125%	13%
111% – 115%	11%
100% – 110%	6%
< 100%	0%

$$\text{AACS} = (\text{Sum of Years 1-3} (\text{ACDRC} + \text{ACCOE} + \text{ACCOE})) + \text{ACT}$$

Where:

- AACS = Actual Avoided Cost Savings

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CHARGES (Continued)

CNI = AACS grossed-up for applicable revenue related taxes – Sum Years 1-3 APC – RRT – IT

Where:

RRT = Revenue related taxes calculated as the appropriate revenue related tax rate x AACS
IT = Income taxes calculated as the appropriate composite income tax rate x (AACS – Sum Years 1-3 APC – RRT)

DEMAND RATCHETS

Customer served under the provisions of Rate DS or Rate DP may be eligible to have their billing demand re-determined in recognition of a permanent change in load due to the installation of load control equipment or other measures taken by the customer to permanently reduce the customer's demand.

SERVICE REGULATIONS

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Public Utilities Commission of Ohio, and to Company's Service Regulations currently in effect, as filed with the Public Utilities Commission of Ohio, as provided by law.

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