

PowerShare Definitions, Terms and Conditions

Kentucky PowerShare Service Agreement – Summer 2016 CallOption Emergency 30 minute notice plus QuoteOption

This Power Share Service Agreement (“Agreement”) is entered into as of the Effective Date and is between the customer identified on the cover page (“Customer”) and Duke Energy Kentucky, Inc. (“Duke Energy” or “Company”).

General Terms and Conditions

1. This Agreement is subject to the terms and conditions of Duke Energy’s Rates, Terms and Conditions for Electric Service, KY. P.S.C. Electric No. 2 and any successor electric tariff, as filed with the Kentucky Public Service Commission and as amended from time to time (“Tariff”), including without limitation Standard Contract Rider Peak Load Management Program, Sheet No. 77, as may periodically be revised (“Rider PLM”).
2. Subject to the CallOption seasonal effective dates, Service under Rider PLM shall commence upon the later of (i) full execution of this Service Agreement, (ii) a renewal registration via the PowerShare® Web site, (iii) installation and operational readiness of dedicated phone communication links with applicable electric meters and (iv) collected minimum of 30 days of interval meter data. Service under Rider PLM shall continue thereafter during the Initial Term in accordance with this Agreement.
3. This Agreement supersedes and replaces all other PowerShare agreements between Customer at the address set forth on the Cover Sheet and Duke Energy.
4. Company will utilize its PowerShare Web Site, an Internet-based system, to post QuoteOption and Emergency non-compliance prices. Customers will be responsible for providing their own Internet access.
5. This Agreement shall not be construed as any promise or warranty by Company to provide continuous or uninterrupted power to Customer.
6. All participants will be subject to the current testing requirements of PJM for the appropriate category of Planning Resources as this term is defined by PJM. If an Emergency Event is declared prior to any scheduled test event, the Emergency Event may be used to meet the PJM testing requirements. If an actual Emergency event does occur any subsequent test event would be cancelled for that Program year.
7. Customer load curtailment enrolled under this Agreement must be solely committed to Duke Energy Kentucky use.
8. Emergency events will be initiated by PJM at their discretion and Customer will be notified by Company of the start time of the event.

QuoteOption Terms and Conditions

1. Company may notify Customer that it is declaring a QuoteOption Event by requesting Customer to provide load reduction or generation when Company in its sole discretion determines a QuoteOption Event is appropriate. Company shall utilize fax, phone, e-mail, or other means of communication to apprise Customer of a QuoteOption Event. Company shall also post the QuoteOption Event, along with the Event Incentive Value, on Company's PowerShare Web Site.
2. The Company has sole discretion in establishing the Event Incentive Value and will make this determination based on Company's projected marginal operating cost, available resources, and weather conditions.
3. In order to participate in a QuoteOption Event, Customer must confirm participation while the Bid-In window is open prior to the start of the QuoteOption Event, and provide an estimate of the amount of Fixed Reduction Customer anticipates providing, by entering this information on the PowerShare Web Site. If Customer fails to provide confirmation of its intent to reduce load or sell generation in response to a QuoteOption Event, before the Bid-In window closes, Customer will not be eligible for an Event Incentive Credit for that QuoteOption Event.
4. In the event that the Company's system or regional generation constraints increase unexpectedly, Company reserves the right at its sole discretion to: a) post a QuoteOption Event and post the associated Event Incentive Value with minimal advance notification; or b) post a higher Event Incentive Value if one has already been posted. In the event that Company posts a higher Event Incentive Value, all Customers confirming their intent to reduce load or provide generation via the PowerShare Web site will receive the higher of the posted Event Incentive Values for that day for all QuoteOption load reduced or generation provided.
5. If Customer has confirmed participation during a QuoteOption only event, Customer will receive an Event Incentive Credit calculated as follows: Customer's actual usage for each hour during the event period will be subtracted from Customer's Pro Forma Load Level for that hour to arrive at the actual Fixed Reduction, provided however that the actual Fixed Reduction shall never be less than zero. The Fixed Reduction will be multiplied by each hour's applicable Event Incentive Value.
6. When a QuoteOption only event occurs, all CallOption customers that also participate in the QuoteOption must nominate load reduction on the Company web page in order to be eligible to receive Event Incentive Credits for actual load reduction below the Pro Forma Load Level for each hour during the event.
7. Customer will receive Event Incentive Credits on its Company-issued electric bill. Depending on the Customer's billing cycle and when Event Incentive Credits are issued within the month, posting of the credits to the Customer's bill may be delayed one billing cycle.
8. Company may provide advance notice of a potential QuoteOption Event, provided however that such a notice will be for informational purposes only and will not be deemed an actual QuoteOption Event hereunder.

9. The Customer's response to the QuoteOption Event is totally voluntary and may be declined by Customer without any liability imposed on the Customer. Regardless of whether Customer notifies Company of its intent to reduce load or provide generation in response to a posted QuoteOption Event, Customer shall have no obligation to actually reduce its load or provide generation, and shall have no liability to Company for failure to provide load reduction or generation, provided however that, in order to be an effective alternative to meeting Company's obligation to provide reliable service to its customers, it is imperative that Customer provides accurate estimates of the amount of Fixed Reduction; failure to do so may result in a Customer being removed from the program and Company terminating this Service Agreement, all at Company's sole discretion.
10. If power is interrupted to Customer during a QuoteOption Event, then Company shall not be responsible for paying an Event Incentive Credit for energy reductions in excess of the estimated reduction provided to Company from Customer. Examples of reasons that power may be interrupted include without limitation accidents, storm outages, equipment failures or malfunctions, and periods of involuntary load curtailment. Additionally, Customer shall not receive an Event Incentive Credit for any QuoteOption Event during which Customer's load is already reduced from their Pro Forma Load Level for an extended period due to planned or unplanned outage as a result of renovation, repair, refurbishment, force majeure, strike, or any event other than Customer's normal operating conditions.
11. Company may assist Customer in identifying load reduction opportunities and developing a load reduction strategy.

CallOption Emergency Terms and Conditions

1. Service under the CallOption program shall commence on the Effective Date below and shall continue through the Ending Date ("CallOption Season").

Effective Date	Ending Date
Summer: First day in June	Last day in September

2. Event Periods: Company may declare a CallOption Emergency Event any weekday, with the exception of the Independence Day and Labor Day holidays, during a CallOption Season. Company may declare a maximum of ten (10) CallOption Emergency Events during the CallOption Season.
3. Company may declare an Emergency CallOption Event by providing Customer at least thirty (30) minutes' notice. Customers may, if eligible, seek an exception from PJM to extend their notification timeframe from the PJM required thirty (30) minutes to sixty (60) or one hundred twenty (120) minutes with cooperation from Company. PJM exception approval must be obtained before January 31, 2016. If PJM does not approve the exception, this agreement is null and void and all payments from Company to Customer will be returned.
4. Customer shall not be permitted to buy-through an Emergency CallOption Event. Customer must curtail load during the duration of the Emergency Event.
5. If Customer does not reduce its load to or below the Firm Level or to or below the Pro Forma load less the Fixed Reduction Amount during an Emergency CallOption Event, Customer shall pay to Company for each kWh of load not so reduced the Real-Time LMP plus applicable Deviation Charges, plus all other costs incurred by Company as a result of Customer not meeting its commitment and may either be removed from the PowerShare CallOption program or receive an adjustment to the contract "Option Load" for the remaining Program Year. Total cumulative penalties incurred from noncompliance with all CallOption Emergency events will not exceed the total amount of capacity credits paid to Customer.
6. In the event state or federal regulation forbids the use of Customer's behind-the-meter generator for emergency demand response purposes, this agreement will be terminated on the effective date of the regulation.
7. If a customer over-curtails, they will receive additional energy credit for actual load reduction below their contracted amount up to 1000 kW.
8. An Emergency event will have duration not to exceed six (6) hours anytime from 12 noon to 8 pm on weekdays from June through September, excluding the holidays of Independence Day and Labor Day.
9. Where Customer has chosen the Firm Level or Fixed Reduction compliance option, Company shall determine a preseason expected Option Load for customer reference. This value is only an estimate. Since the actual reduction available/provided by Customer for a month during the CallOption Season may be more or less than the preseason expected level, the month ending premium payment to Customers will be calculated to reflect the actual Option Load provided during the CallOption month. Company will determine, at its sole discretion, the actual Option Load after the fact, using Customer's actual load levels on applicable non-event days, Pro Forma Load Levels on event days and the customer specified Fixed Reduction or Firm Level.

10. Customer and Company mutually agree that Pro Forma Load Levels accurately reflect the Customer's expected load profile for the option selected. In the event that the Customer's actual load profile substantially deviates from the Pro Forma Load Level as a result of a change in physical plant or process, Customer and Company shall re-establish the Pro Forma Load Level and Event Incentive Credits based upon recent energy usage. Additionally, Customer shall not receive Event Incentive Credit for any CallOption Event in which Customer's Option Load is already reduced for an extended period due to a planned or unplanned outage as a result of renovation, repair, refurbishment, force majeure, strike, or any event other than the Customer's normal operating conditions.
11. The Event Incentive Value during a CallOption Emergency event is 10 cents per kWh of energy curtailed during the event.
12. The PJM Curtailment test date will be held September 1, 2016 beginning at 4:00 PM and ending at 5:00 PM. Load reductions must be maintained for the entire test hour. Fixed reduction customers reduce their contracted load below the Proforma value to be in full compliance. Firm Service Level customers must reduce load to their Firm Level to be in full compliance. Failure to meet the contracted reduction level during the test will result in a reduction in the contract "Option Load" to reflect testing load reduction shortfalls plus a \$20/kW non-compliance charge for each kW of undercompliance.

CallOption Pricing

Max. # of Emergency Calls	Annual Premium \$ / kW	Maximum Emergency Call Duration Hours (anytime from 12-8PM)	Emergency Season
10	\$28.00	6	Jun-Sep 2016

NOTE: Contracts signed by January 18, 2016 will receive an additional \$2/kW incentive payable in March 2015.

Definitions

Annual Premium:	<p>An amount paid to Customer each calendar year of the Agreement based on the Option Load and the Maximum Number of Events. Payment of the annual premium will be distributed based on whether the customer chooses an annual or summer only product option.</p> <p>Example:</p> <p>Customer calculated load level: 2100kW</p> <p>Firm Level (selected by Customer): 1100kW</p> <p>Event Incentive (per kWh): \$0.10</p> <p>Maximum number of events (selected by Customer) : 0/10</p> <p>Option Load (2100 – 1100): 1000kW</p> <p>Annual Premium (1000kW * \$28/kW): \$28,000</p>
Buy-Through Prices	The price that Customer shall pay to Company for each kWh of load not reduced or power not generated in response to a CallOption Event. The Buy-Through Prices shall include applicable transmission and distribution charges, the Real Time LMP plus applicable Deviation Charges plus 10%, and all applicable Riders and taxes included in the Company's Tariff.
CallOption	A program offered by Company under which Customers are paid incentives for agreeing to reduce load or provide generation when requested by Company.
CallOption Event	An instance of Company requesting Customer to reduce load or generate power under the CallOption program.
Deviation Charges	The real time Deviation Charges incurred during the Event for the applicable Load Zone as published by PJM.
Emergency CallOption Event	A CallOption Event declared during a Regional Emergency by Company at the request of PJM.
Event Incentive Credit	The credit paid by Company to Customer for Customer's participation in a QuoteOption Event, Emergency Event or CallOption Event, computed in accordance herewith.
Event Incentive Value:	An Event Incentive Value is the price at which Company may issue a request to purchase energy or load reduction from Customer.
Firm Level:	A consumption level selected by Customer to which Customer agrees to reduce its load during a declared CallOption, or Emergency Event, as reflected on the Cover Sheet.
Fixed Reduction:	Used when Customer will reduce load each hour during an event by a fixed amount, and is equal to the amount of load reduction from Customer's Pro Forma Load Level, as reflected on the Cover Sheet.

Load Zone	The commercial pricing node and such successor commercial pricing node as published by PJM.
Maximum Number of Events	The maximum number of CallOption Events that the Customer shall be subject to during a CallOption Season, as elected by Customer on the Cover Sheet.
Option Load:	Option Load is the amount of load (reduction or generation supplied) that Customer elects to place under the CallOption program, as reflected on the Cover Sheet.
PJM	The PJM Interconnection, LLC, which operates under an Open Access Transmission and Energy Markets Tariff filed with the Federal Energy Regulatory Commission.
PowerShare Web Site	A Company-hosted Internet web site used to post QuoteOption Events, CallOption Events, Emergency Events and related program information.
Premium Settlement	A calculation, after the CallOption month, to determine the Customer's Option Load for the month. This value is used in the computation of the Customer's monthly premium credit. The estimated Option Load provided on the cover page is for Customer reference only.
Pro Forma Load Level:	The Pro Forma Load Level is an estimate of the Customer's load during a CallOption or QuoteOption or Emergency Event that would have occurred absent the Company exercising an event. The Pro Forma Load Level will be based on the Customer's historical load for the period when Company declares a CallOption or QuoteOption or Emergency Event, as determined by Company in its sole discretion.
QuoteOption	A program offered by Company under which Customers are paid incentives for voluntarily reducing load during QuoteOption Events
QuoteOption Event	An instance of Company offering to pay customers for voluntarily reducing load.
Real-Time LMP	The real time locational marginal price for the applicable Load Zone as published by PJM.
Regional Emergency	A pre-emergency or EEA Level 2 event called by PJM in response to regional transmission constraints or generation shortages.
Week	A period having duration of Sunday through Saturday.

Cover Page
Customer Information

Customer Name:	Business name as it appears on Duke Energy Kentucky, Inc. utility bill.
Service Address:	Service address as it appears on Duke Energy Kentucky, Inc. utility bill.
Account Number:	Per billing account.
Primary Contact:	Utilized by the Duke Energy Kentucky, Inc. for notification purposes.
Secondary Contact:	Backup notification contact, utilized by the Duke Energy Kentucky, Inc.
Company Representative:	Agreement to be signed and dated by an authorized agent of Company at such time meter and phone are considered operational by Company.
Time Zone:	The time zone in which the premise to be served is located.