

RIDER DR-R, GSND, GSD**DEMAND RESPONSE – RESIDENTIAL, GENERAL SERVICE
NON-DEMAND AND GENERAL SERVICE DEMAND**APPLICABILITY

This program is available to all customers in SMECO's Residential rate schedule and customers in SMECO's GSND and GSD rate schedule with an annual peak demand of less than 50 kW. Customers may be excluded from participation at the discretion of SMECO or its demand response contractor (collectively referred to hereafter as "Supplier") for circumstances such as faulty or dangerous end-use equipment, unsafe working conditions for Supplier, low curtailment signal strength, or insufficient curtailable load.

INSTALLATION AND OPERATION

The customer will allow the installation of a load control device(s), which is either a smart thermostat(s) or a load control switch(s) and associated equipment. The load control device(s) will have the capability to control the supply of electricity to the customer's central air conditioner unit(s) or central heat pump unit(s).

Supplier shall install, own, operate, and maintain the load control device(s) at no cost to the customer. The customer shall allow reasonable access on the customer's premises by Supplier to perform these functions. The customer shall be responsible for the replacement cost of the load control device(s) if the customer has willfully or negligently damaged the load control device(s). Supplier will not provide any installation, repair, or maintenance for the customer's central air conditioner(s) or central heat pump(s) controlled by the load control device(s).

Supplier shall operate the load control device(s) at any time, at its discretion, for purposes that include, but are not limited to, the following: testing the load control device(s); response to PJM dispatcher request to activate demand response; response to local SMECO constraints; or response to regional energy market prices.

The effect of the load control device(s) operation shall be a net reduction of load on SMECO's system. During periods of operation, the work performed by the interrupted appliance shall not be transferred to any other electric service provided by SMECO or to any other appliance.

The Customer holds Supplier harmless for any damages resulting from participation in the Demand Response program.

Customers participating in the demand response program may override an interruption event up to a specified number of times during a calendar year, except that no override will be permitted during a PJM Interconnection Reliability Event.

Supplier shall inform the customer of the cycling control that will be employed on the load control device at the time the customer enrolls in the demand response program. During the customer's participation in the demand response program, the Supplier may develop and offer to customers different cycling control strategies. If Supplier terminates the use of a particular cycling control strategy, customers controlled under that strategy will be offered the option of choosing which existing control strategy to use.

Customers can terminate participation in the demand response program at any time subject to certain notice requirements and provisions for removal of the control devices. The customer will incur no penalty or cost for termination but is still responsible for any other costs accrued.

Once a residence or commercial building is enrolled in the Demand Response program, the location continues to be enrolled in the program unless termination is requested. In the event that there is a change in customer at a location, the new customer will be notified about the program and provided the opportunity to continue or terminate participation.

INCENTIVE

The customer will receive the following applicable bill credits each month from June to October while participating in the program:

Customers enrolled in SMECO's 50% cycling program:

Customer with a smart thermostat(s) at his premise: \$10.00 per month
Customer with a load control switch(s) at his premise: \$10.00 per month

Customers enrolled in SMECO's 75% cycling program:

Customer with a smart thermostat(s) at his premise: \$15.00 per month
Customer with a load control switch(s) at his premise: \$15.00 per month

Multiple thermostats or switches at a premise do not receive multiple incentive payments.

Incentive payments may be revised or eliminated at future dates. Customers will be notified by Supplier of changes in incentive payments prior to the change.

Customers enrolled in the demand response program may not continue in SMECO's Load Management program and will not receive credits from that program.

COST RECOVERY

Residential, GSND, and GSD rates are subject to the recovery of the Commission-approved demand response expenditures through a surcharge mechanism referred to hereafter as the Demand-Response Cost Recovery Factor (DRCRF).

The DRCRF is:

Residential Service: \$0.00247 per kWh
GSND, GSD: \$0.00235 per kWh

The DRCRF is calculated through the formula:

$$\text{DRCRF} = [(E+C)/S]$$

Where:

E = Annual expenses corresponding to the planning, implementation, operation, and contractual obligations of the demand response-residential, GSND, GSD, and LP program. Such costs are amortized on a straight-line basis over a period not to exceed five years, the unamortized balance earning interest at the Company's ROR. The ROR is imputed from the Company's DSC.

C = Annual correction mechanism to true-up the difference between Demand response-related costs incurred and revenues collected under the DRCRF.

S = Twelve-month sales forecast.

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