

South Carolina Electric & Gas Company Annual Update  
on Demand Side Management Programs and Petition to  
Update Rate Rider

BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA  
COVER SHEET

DOCKET  
NUMBER: 2014 -      - E

(Please type or print)

Submitted by: K. Chad Burgess  
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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

- Emergency Relief demanded in petition       Request for item to be placed on Commission's Agenda expeditiously  
 Other: \_\_\_\_\_

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
<input checked="" type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certificatio
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigatio
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input checked="" type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input checked="" type="checkbox"/> Other:
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest	Proposed Notice of Filing
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit	
	<input type="checkbox"/> Late-Filed Exhibit	<input checked="" type="checkbox"/> Report	



**K. Chad Burgess**  
Associate General Counsel

*chad.burgess@scana.com*

January 31, 2014

**VIA ELECTRONIC FILING**

The Honorable Jocelyn G. Boyd  
Chief Clerk/Administrator  
**Public Service Commission of South Carolina**  
101 Executive Center Drive  
Columbia, South Carolina 29210

RE: South Carolina Electric & Gas Company  
Annual Update on Demand Side Management Programs and Petition to Update  
Rate Rider  
Docket No. 2014-\_\_\_-E

Dear Ms. Boyd:

On behalf of South Carolina Electric & Gas Company (“SCE&G”), please find enclosed for filing one (1) copy of SCE&G’s Annual Update on Demand Side Management Programs and Petition to Update Rate Rider (“Petition”). As part of its Petition, SCE&G is requesting that the Rate Rider be effective for bills rendered on and after the first billing cycle of May 2014. Also enclosed for filing is a Proposed Notice of Filing.

By copy of this letter, we are providing the South Carolina Office of Regulatory Staff with a copy of the Petition and Proposed Notice of Filing and enclose a certificate of service to that effect.

If you have any questions, please do not hesitate to contact us.

Very truly yours,

K. Chad Burgess

KCB/kms  
Enclosure

cc: Jeffrey M. Nelson, Esquire  
John W. Flitter

(both via electronic mail and U.S. First Class Mail w/enclosure)

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**

**DOCKET NO. 2014-\_\_-E**

IN RE:

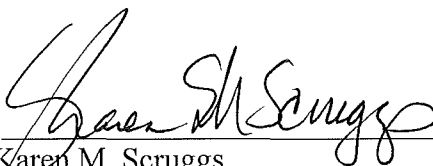
South Carolina Electric & Gas Company     )  
Annual Update on Demand Side             )  
Management Programs and Petition        )  
to Update Rate Rider                        )  
\_\_\_\_\_)

**CERTIFICATE  
OF SERVICE**

This is to certify that I have caused to be served this day one (1) copy of South Carolina Electric & Gas Company's **Annual Update on Demand Side Management Programs and Petition to Update Rate Rider** to the persons named below via electronic mail and U.S. First Class Mail at the addresses set forth below:

Jeffrey M. Nelson, Esquire  
Office of Regulatory Staff  
1401 Main Street Suite 900  
Columbia, SC 29201  
[jnelson@regstaff.sc.gov](mailto:jnelson@regstaff.sc.gov)

John W. Flitter  
Office of Regulatory Staff  
1401 Main Street Suite 900  
Columbia, SC 29201  
[jflitter@regstaff.sc.gov](mailto:jflitter@regstaff.sc.gov)

  
\_\_\_\_\_  
Karen M. Scruggs

Cayce, South Carolina

This 31st day of January 2014

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF**  
**SOUTH CAROLINA**

**DOCKET NO. 2014-\_\_-E**

IN RE:

South Carolina Electric & Gas	)	<b><u>ANNUAL UPDATE ON DEMAND</u></b> <b><u>SIDE MANAGEMENT</u></b> <b><u>PROGRAMS AND PETITION TO</u></b> <b><u>UPDATE RATE RIDER</u></b>
Company Annual Update on Demand	)	
Side Management Programs and	)	
Petition to Update Rate Rider.	)	
<hr/>		

**Introduction**

Pursuant to S.C. Code Ann. § 58-37-20 (Supp. 2012) and 10 S.C. Code Ann. Regs. 103-819 and 103-825 (2012), and in compliance with Public Service Commission of South Carolina (“Commission”) Order No. 2010-472, issued in Docket No. 2009-261-E, as affirmed and modified by Order No. 2013-826 issued in Docket No. 2013-208-E, South Carolina Electric & Gas Company (“SCE&G” or “Company”) hereby (i) submits to the Commission for review information concerning the current status of SCE&G’s demand reduction and energy efficiency (“Demand Side Management” or “DSM”) programs; and (ii) petitions the Commission for authorization to update its “Rider to Retail Rates – Demand Side Management Component” (“DSM Rider”) to provide for the recovery of SCE&G’s costs and net lost revenues associated with its DSM programs along with the Commission-approved

shared savings incentive for investing in such programs, effective for bills rendered on and after the first billing cycle of May 2014.

In calculating the DSM Rider, the Company respectfully requests that the Commission authorize SCE&G, for regulatory and financial accounting purposes, to (i) recover one-half of the balance of allowable DSM costs beginning with bills rendered on and after the first billing cycle of May 2014, with the remaining balance of allowable DSM costs to be recovered beginning with bills rendered on and after the first billing cycle of May 2015; (ii) utilize a portion of the gains from the recent settlement of certain interest rate derivative instruments to offset a portion of the net lost revenues component of SCE&G's DSM Rider; (iii) apply \$5,000,000 of SCE&G's Commission-approved Storm Damage Reserve to the outstanding balance of deferred net lost revenues currently being held in a regulatory asset account pursuant to Commission Order No. 2013-266 issued in Docket No. 2013-50-E, and (iv) after applying the \$5,000,000 from the Storm Damage Reserve to the outstanding balance of deferred net lost revenues, utilize a portion of the gains from the recent settlement of certain interest rate derivative instruments in an amount equal to the remaining balance of deferred net lost revenues as of April 30, 2014, currently being held in a regulatory asset account pursuant to Commission Order No. 2013-266 issued in Docket No. 2013-50-E. The application of the amounts as described in (iii) and (iv) above will eliminate the need to recover the amount of net lost revenues deferred under Order No. 2013-266 through the DSM Rider.

If the Commission grants all of the above-stated regulatory and financial accounting requests, then it will not be necessary to increase the DSM factors set forth in SCE&G's DSM Rider.

In support of this petition, SCE&G would respectfully show to the Commission the following key facts and would request and petition the Commission for the following relief:

1. This matter comes before the Commission pursuant to S.C. Code Ann. § 58-37-20 (Supp. 2012) and by Order No. 2010-472, as affirmed and modified by Order No. 2013-826. In Order No. 2010-472, as affirmed and modified by Order No. 2013-826, the Commission approved SCE&G's suite of DSM programs and authorized the Company to continue its DSM Rate Rider. In accordance with § 58-37-20 and as described more fully below, the DSM Rate Rider is designed to allow SCE&G to recover the costs and net lost revenues associated with its DSM programs along with a shared savings incentive equal to six percent (6%) of the net benefits derived from the Company's DSM programs.

2. In Order No. 2013-826, the Commission also ordered SCE&G to continue its practice established under Order No. 2010-472 of submitting an annual filing with the Commission updating the Company's DSM Rate Rider each January through the life of the DSM programs.

3. In accordance with Order No. 2010-472, as affirmed and modified by Order No. 2013-826, the annual filing must set forth the programs, net lost revenues, program costs, shared savings incentive, net program benefits, and other

items as appropriate. Moreover, the annual filing must encompass the twelve-month period beginning December 1 and ending November 30.

4. For this annual filing, the prior review period is December 1, 2011, to November 30, 2012 (“Program Year 2”); the current review period is December 1, 2012, to November 30, 2013 (“Program Year 3”); and the forecasted period is December 1, 2013, to November 30, 2014 (“Program Year 4”).

#### **Update on DSM Programs**

5. In Order No. 2013-826, the Commission approved a suite of eleven (11) DSM programs for development and implementation. Exhibit 1 sets out the most significant aspects of program development and implementation approach for each of the approved programs, including next steps and modifications to the programs, as well as other pertinent information that occurred in Program Year 3 or will occur in Program Year 4.

6. During Program Year 3, SCE&G implemented one (1) new DSM program, namely, the “Neighborhood Energy Efficiency Program”, which was approved by Order No. 2013-266 issued in Docket No. 2013-50-E. The Company did not terminate any DSM programs during Program Year 3.

#### **Evaluation, Measurement, and Verification**

7. Pursuant to Order No. 2010-472, Evaluation, Measurement, and Verification (“EM&V”) results are due no later than six months after the end of a program year; this requirement continues under Order No. 2013-826.

8. On May 31, 2013, in Docket No. 2013-50-E, SCE&G filed with the Commission its EM&V Report for Program Year 2 ("Program Year 2 EM&V Report"). In summary, SCE&G's DSM programs for Program Year 2 achieved net energy savings of 110,623 megawatt hours ("MWH") and net demand savings of 14.88 megawatts with most of these savings resulting from SCE&G's ENERGY STAR Lighting Program. Attached hereto as Exhibit 2 is a table summarizing the DSM portfolio net savings, program costs and participation levels for Program Year 2.

9. The Program Year 2 EM&V Report serves as the basis for the trued-up amounts reflected in SCE&G's net lost revenue amounts and shared savings incentive amounts set forth herein.

10. SCE&G anticipates that its EM&V report for Program Year 3 will be completed in May 2014. Since no EM&V results have yet been generated for Program Year 3, the net lost revenues calculation and the shared savings incentive calculation set forth herein continue to be based on forecasted amounts. All forecasted amounts for Program Year 3 will be trued-up in the January 2015 annual filing.

11. Information concerning the impact of DSM programs on energy savings and peak demand on SCE&G's system during Program Year 3 will be included in the EM&V report that SCE&G plans to file in May 2014.



### DSM Costs

12. Exhibit 3 shows the regulatory asset account balance of allowable DSM costs as of November 30, 2013; that amount is \$45,906,902. Pursuant to Order No. 2010-472, as affirmed by Order No. 2013-826, these costs are to be amortized over five years with unrecovered balances bearing carrying costs at the Company's weighted average cost of capital.

13. For this annual filing only, SCE&G respectfully requests that the Commission authorize the Company to recover one-half of the regulatory asset account balance of allowable DSM costs in the amount of \$22,953,452 beginning with bills rendered on and after the first billing cycle of May 2014, with the remaining balance of allowable DSM costs to be recovered beginning with bills rendered on and after the first billing cycle of May 2015. These costs will be amortized over five years with unrecovered balances bearing carrying costs at the Company's weighted average cost of capital.

14. Accordingly, SCE&G respectfully requests authorization to update the DSM Rate Rider to allow the Company the opportunity to recover \$4,590,691 in DSM costs during the twelve-month period effective for bills rendered on and after

the first billing cycle of May 2014 and ending with the last billing cycle of April 2015 ("Recovery Period").<sup>1</sup>

### Net Lost Revenues

15. Exhibit 4 shows the calculation of the appropriate amount of net lost revenues to be recovered during the Recovery Period; that amount is \$27,001,148.

16. In accordance with Order No. 2010-472, as modified by Order No. 2013-826, the Company has trued-up its net lost revenues for Program Year 2 pursuant to the Program Year 2 EM&V Report, and the results of the true-up for this time period are included in the net lost revenues calculation.

17. The amount of net lost revenues reported herein reflects (i) the actual energy savings for each DSM program during the time period January 1, 2012, through November 30, 2012, and the reduction in demand and MWH sales that were calculated to occur as a result; and (ii) the cumulative forecasted energy savings for each DSM program during the time period December 1, 2012, through November 30, 2014, and the reduction in demand and MWH sales that are calculated to occur as a result.

18. In summary, SCE&G's net lost revenue amounts include the following:

- a. The trued-up amounts for the time period January 1, 2012, through November 30, 2012, of Program Year 2, as

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<sup>1</sup> If the Commission does not grant the regulatory and financial accounting treatment requested herein, then SCE&G requests authorization to update the DSM Rate Rider to allow the Company the opportunity to recover \$9,181,380 in DSM costs during the twelve-month period effective for bills rendered on and after the first billing cycle of May 2014 and ending with the last billing cycle of April 2015.

required by Commission Order No. 2010-472, as affirmed and modified by Order No. 2013-826;

- b. The forecasted amounts for Program Year 3, which will be trued-up in the Company's January 2015 annual DSM filing; and
- c. The forecasted amounts for Program Year 4, which will be trued-up in the Company's January 2016 annual DSM filing.

19. Pursuant to Order No. 2013-826, net lost revenues are limited to a rolling three (3) years.

20. Rather than having SCE&G seek recovery of its increased DSM costs by way of any increase to its DSM Rate Rider, SCE&G respectfully requests that the Commission allow SCE&G to use gains in the amount of \$17,791,000 from the recent settlement of certain interest rate derivative instruments to offset a portion of the net lost revenues cost component included within the calculation of SCE&G's DSM Rider. *See Petition of South Carolina Electric & Gas Company for an Accounting Order regarding Interest Rate Swaps, Docket No. 2013-382-E* (by Order No. 2013-776 issued in Docket No. 2013-382-E, in which the Commission authorized SCE&G to, among other things, utilize any gains from the settlement of existing or future interest rate derivative instruments for the benefit of its customers through offsetting fuel costs or interest expense).

21. By applying the gains from the recent settlement of certain interest rate derivative instruments in this manner, the amount of net lost revenues to be collected as part of the DSM Rider is reduced to \$9,210,148.

22. Accordingly, SCE&G respectfully requests authorization to update the DSM Rate Rider to allow the Company the opportunity to recover net lost revenues in the amount of \$9,210,148 during the Recovery Period.<sup>2</sup>

**Net Lost Revenues Deferred Pursuant to Commission Order No. 2013-266**

23. By Order No. 2013-266, issued in Docket No. 2013-50-E, and in an effort to mitigate rate impact, the Commission approved an agreement between the South Carolina Office of Regulatory Staff (“ORS”) and SCE&G to recover net lost revenues of \$20,568,683 over a 24-month billing period beginning with the first billing cycle for May 2013. To accomplish this, SCE&G was authorized to recover one-half of its net lost revenues in the 12-month period beginning with the first billing cycle of May 2013 with the remaining amount being deferred as a regulatory asset for recovery beginning with the first billing cycle of May 2014 and ending with the last billing cycle of April 2015.

24. Rather than seek recovery of the balance of net lost revenues deferred pursuant to Order No. 2013-266, the Company respectfully requests authorization to apply \$5,000,000 of the Company’s Commission-approved Storm Damage Reserve to the outstanding balance of deferred net lost revenues currently being held in a

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<sup>2</sup> If the Commission does not grant the regulatory and financial accounting treatment requested herein, then SCE&G requests authorization to update the DSM Rate Rider to allow the Company the opportunity to recover \$27,001,148 in net lost revenues during the twelve-month period effective for bills rendered on and after the first billing cycle of May 2014 and ending with the last billing cycle of April 2015.

regulatory asset account pursuant to Commission Order No. 2013-266 issued in Docket No. 2013-50-E.<sup>3</sup>

25. For the remainder of the deferred net lost revenues in the regulatory asset account, SCE&G requests that the Commission authorize the Company to utilize a portion of the gains from the recent settlement of certain interest rate derivative instruments in an amount equal to the balance of deferred net lost revenues as of April 30, 2014, currently being held in a regulatory asset account pursuant to Commission Order No. 2013-266 issued in Docket No. 2013-50-E.

26. The Company's requested regulatory and financial accounting treatment of the deferred net lost revenues will eliminate the need to increase the DSM Rider to collect this amount.<sup>4</sup>

#### **Shared Savings Incentive**

27. As shown on Exhibit 5, the allowable shared savings amortization amount for the Company is \$1,559,214. SCE&G's shared saving incentive amount includes the following:

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<sup>3</sup> By Order No. 96-15 dated January 9, 1996, issued in Docket No. 95-1000-E, the Commission authorized SCE&G to establish a Storm Damage Reserve which was funded by a Storm Damage Reserve Rider. By Order No. 2010-471 dated July 15, 2010, issued in Docket No. 2009-489-E, the Commission suspended the Storm Damage Reserve Rider. As of December 31, 2013, the Storm Damage Reserve has a balance of \$27,299,661.

<sup>4</sup> If the Commission does not grant the regulatory and financial accounting treatment requested herein, then SCE&G requests authorization to update the DSM Rate Rider to allow the Company the opportunity to recover the balance of the deferred net lost revenues as of April 30, 2014, during the twelve-month period effective for bills rendered on and after the first billing cycle of May 2014 and ending with the last billing cycle of April 2015.

- a. The actual shared savings incentive amount for Program Year 1 and Program Year 2, which have been trued-up in accordance with Commission Order No. 2010-472, as affirmed by Order No. 2013-826;
- b. The forecasted shared savings incentive amount for Program Year 3, which will be trued-up in the Company's January 2015 annual DSM filing; and
- c. The forecasted shared savings incentive amount for Program Year 4, which will be trued-up in the Company's January 2016 annual DSM filing.

28. Pursuant to Order No. 2010-472, as affirmed by Order No. 2013-826, the shared savings incentive is to be amortized over five years without interest or carrying costs added to the calculation of the DSM Rate Rider. Accordingly, SCE&G respectfully requests authorization to update the DSM Rate Rider to allow the Company the opportunity to recover its allowable shared savings amortization amount of \$1,559,214 during the Recovery Period.

#### **DSM Rate Calculation and DSM Rate Rider**

29. Exhibit 6 shows that the total amount to be recovered under the DSM Rate Rider, if approved and if the Commission grants the accounting adjustment requests contained herein, during the Recovery Period is \$15,360,053.<sup>5</sup> It also reflects the calculation of the billing factors for each customer class based on the appropriate billing units for that customer class. Based on those calculations, the appropriate billing factors applicable to SCE&G's retail electric customers effective

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<sup>5</sup> If the regulatory accounting adjustments requested herein are not approved by the Commission, then the total amount to be recovered under the DSM Rate Rider during the Recovery Period is \$48,026,084. The rate impact upon each customer class is reflected in the table on Page 12 in the column entitled "Without Accounting Adjustments Requested \$/kWh."

for bills rendered on and after the first billing cycle of May 2014, if approved, would be \$0.00146 per kilowatt hour (“kWh”) for Residential, \$0.00041 per kWh for Small General Service, \$0.00088 per kWh for Medium General Service, and \$0.00036 per kWh for Large General Service.

30. For ease of reference, below is a table reflecting the DSM factors currently in effect today. The table below also depicts the updated DSM factors, which include the accounting adjustments requested herein, as well as the updated DSM factors without the accounting adjustments requested herein.

<b>Customer Class</b>	<b>Current DSM Factors \$/kWh</b>	<b>With Accounting Adjustments Requested \$/kWh</b>	<b>Without Accounting Adjustments Requested \$/kWh</b>
Residential	\$0.00146	\$0.00146	\$0.00486
Small General Service	\$0.00060	\$0.00041	\$0.00100
Medium General Service	\$0.00088	\$0.00088	\$0.00192
Large General Service	\$0.00036	\$0.00036	\$0.00129

31. Based upon the foregoing and if the Commission grants the regulatory and financial accounting adjustments requested herein, the DSM Rate Rider for SCE&G’s customers will not increase.

32. Exhibit 7 is the proposed updated DSM Rate Rider to be implemented during the Recovery Period.

33. All calculations contained in the attached exhibits are in accordance with the formulas, methodologies, and rate designs approved by the Commission in Order No. 2010-472, as affirmed and modified by Order No. 2013-826.

### **Update on Opt-Out for Large Commercial and Industrial Customers**

34. At the close of Program Year 3, 356 industrial accounts had opted-out of SCE&G's DSM programs. Retail electric sales associated with these accounts represent approximately 82% of SCE&G's industrial load. As for its large commercial customers and for the purpose of setting its DSM factors, SCE&G has forecasted that all of its large commercial customers who qualify to opt-out of the Company's DSM programs will do so.

### **Compliance with Commission Order No. 2013-266**

35. In Order No. 2013-266, issued in Docket No. 2013-50-E, the Commission instructed SCE&G to "consider the comments and recommendations made by the intervenors in the letter dated April 1, 2013 . . . and include a discussion of how these recommendations were implemented or why they were not implemented . . . ."<sup>6</sup>

36. In its April 1, 2013, letter, SACE/CCL recommended that SCE&G (i) explore ways to increase energy savings in the final year of its three-year program period and beyond by improving existing programs and offering additional cost-effective programs; (ii) increase the application of its EM&V findings, including the use of actual net-to-gross ratios, to update savings estimates and forecasts; (iii) verify all program savings and true-up estimates that are currently unverified; (iv) conduct process evaluations; (v) consider more closely syncing the EM&V reporting

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<sup>6</sup> The intervenors in Docket No. 2013-50-E consisted of the Southern Alliance for Clean Energy ("SACE") and the South Carolina Coastal Conservation League ("CCL").



process with the annual DSM/cost recovery process; and (vi) continue to explore ways to increase energy efficiency opportunities for commercial and industrial customers and provide an update on its effects in the forthcoming DSM filing in May 2013.

37. In compliance with Order No. 2013-266, SCE&G has given consideration to each of the items set forth in SACE/CCL's April 1, 2013 letter.

38. With regard to exploring ways to increase energy savings in the final year of its three-year program period and beyond by improving existing programs and offering additional cost-effective programs, SCE&G incorporated the recommendations of its third-party evaluator, Opinion Dynamics Corporation ("ODC"), for improvements to the existing programs. As a result of implementing these recommendations preliminary results indicate the energy savings in Program Year 3 are projected to be greater than 90% of forecast. Additionally, in April 2013, the Commission approved the Neighborhood Energy Efficiency Program, and in November 2013, the Commission approved two additional DSM programs, one for residential customers and the other for commercial and industrial customers, for Program Year 4 and beyond.

39. As for increasing the application of its EM&V findings, including the use of actual net-to-gross ratios, to update savings estimates and forecasts, SCE&G has applied the results of the Program Year 2 EM&V Report to its programs. Additionally, SCE&G has applied the updated net-to-gross ratios and revised savings estimates to future program years.

40. With regard to verifying all program savings and true-up estimates that are currently unverified, SCE&G has implemented this recommendation which is reflected in its Program Year 2 EM&V Report.

41. In response to conducting process evaluations, the Company, through ODC, completed process evaluations for each program in both Program Year 1 and Program Year 2.

42. As for SCE&G's consideration of more closely syncing the EM&V reporting process with the annual DSM/cost recovery process, the Company will continue to submit EM&V results no later than six months after the end of each program year as required by Commission Order No. 2013-826.

43. As for continuing to explore ways to increase energy efficiency opportunities for commercial and industrial customers and provide an update on its effects in the forthcoming DSM filing in May 2013, SCE&G submitted and the Commission approved, by Order No. 2013-826, an additional program, namely the Small Business Direct Install program which targets small commercial customers for Program Year 4 and beyond.

**Compliance with Commission Order No. 2013-826**

44. In Order No. 2013-826, issued in Docket No. 2013-208-E, the Commission instructed SCE&G to "include in its 2014 annual update a description of how the SACE/CCL recommendations have been taken into consideration."

45. In Docket No. 2013-208-E, SACE/CCL presented to the Commission many recommendations concerning SCE&G's "Application for Approval to Continue

Demand Side Management Programs and Included Rate Rider, and for approval of Revised Portfolio of Energy Efficiency Programs” – the majority of which were aimed at increasing customer participation and offering additional DSM programs.

46. SCE&G has carefully reviewed and considered the recommendations made by SACE/CCL for increasing customer participation and offering additional DSM programs. Today, SCE&G is satisfied with its level of customer participation in its DSM programs and has no plans to offer any additional DSM programs to its customers.<sup>7</sup>

#### **Request for Relief**

47. Based upon the foregoing, SCE&G respectfully requests that the Commission approve (i) the proposed update to the Company’s DSM Rate Rider as described herein and in the attached exhibits to be effective for bills rendered on and after the first billing cycle of May 2014; (ii) the recovery of one-half of the balance of allowable DSM costs beginning with bills rendered on and after the first billing cycle of May 2014, with the remaining balance of allowable DSM costs to be recovered beginning with bills rendered on and after the first billing cycle of May 2015; (iii) the utilization of a portion of the gains from the recent settlement of certain interest rate derivative instruments to offset a portion of the net lost revenues component of SCE&G’s DSM Rider; (iv) the application of \$5,000,000 of SCE&G’s Commission-approved Storm Damage Reserve to the

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<sup>7</sup> For further discussion concerning SCE&G’s response to SACE/CCL’s recommendations, please see the Company’s rebuttal testimony in Docket No. 2013-266, which is incorporated herein by reference.

outstanding balance of deferred net lost revenues currently being held in a regulatory asset account pursuant to Commission Order No. 2013-266 issued in Docket No. 2013-50-E; (v) after applying the \$5,000,00 from the Storm Damage Reserve to the outstanding balance of deferred net lost revenues, utilize a portion of the gains from the recent settlement of certain interest rate derivative instruments in an amount equal to the remaining balance of deferred net lost revenues as of April 30, 2014, currently being held in a regulatory asset account pursuant to Commission Order No. 2013-266 issued in Docket No. 2013-50-E; and (vi) such further, different or other relief as may be warranted, just, reasonable and lawful.

Respectfully submitted,



K. Chad Burgess, Esquire  
Matthew W. Gissendanner, Esquire  
**South Carolina Electric & Gas Company**  
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220 Operation Way  
Cayce, South Carolina 29033  
(803) 217-8141  
chad.burgess@scana.com  
matthew.gissendanner@scana.com

Attorneys for South Carolina Electric & Gas  
Company

January 31, 2014  
Cayce, South Carolina

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2014-\_\_\_-E**

IN RE:

South Carolina Electric & Gas )  
Company Annual Update on Demand )  
Side Management Programs and )  
Petition to Update Rate Rider. )  
\_\_\_\_\_ )

**VERIFICATION**

PERSONALLY APPEARED before me, Angie H. Webb, Director of Demand Side Management for South Carolina Electric & Gas Company, who, being first duly sworn, deposes and says that she has read the foregoing Annual Update on Demand Side Management Programs and Petition to Update Rate Rider and that the matters alleged therein are true within her own knowledge; and that she is fully authorized and has capacity to sign the aforesaid pleading and to verify the contents thereof.



Angie H. Webb

Sworn to before me this  
31st day of January, 2014



Notary Public for South Carolina

My Commission Expires: 5/30/2017

**Demand Side Management Program Updates  
November 30, 2013**

	Residential					
	Home Energy Reports	Energy Information Display	Home Energy Check-up	Home Performance with ENERGY STAR	ENERGY STAR Lighting	Heating & Cooling and Water Heating Equipment
<b>General Overview</b>	Free monthly/bi-monthly reports comparing customer's energy usage to peer group and providing information to help identify, analyze, and act upon potential energy efficiency measures and behaviors.	Discounted energy information display (EID) device provided to customers to increase awareness of energy consumption in their homes, thus, driving more energy conscious decision making.	Free in-home visual energy assessment performed by SCE&G staff with leave-behind energy efficiency kit consisting of ten CFL bulbs and water heater tank wrap and pipe insulation, as appropriate.	Comprehensive audit with diagnostic testing of a customer's home by trained contractors with incentives offered for installation of recommended measures.	Incentives for the purchase of ENERGY STAR® qualified lighting and lighting products	Incentives to residential customers for the purchase of high efficiency HVAC equipment and non-electric resistance storage water heaters (new construction or replacement installations).
<b>Launch Date</b>	4/6/2011	11/15/2010	10/1/2010	3/1/2011	2/14/2011	3/1/2011
<b>Year 1 Program Actuals</b>	28,216 participants, 9,311 MWH, 3.41 MW reductions	500 participants, 200 MWH, 0.032 MW reductions	2,036 customers, 585 MWH, 0.14 MW reductions	33 customers, 79.5 MWH, 0.023 MW reductions	1,251,340 lighting products, 37,320 MWH and 4.19 MW reductions	1,429 participants, 1,586 MWH, 0.48 MW reductions
<b>Year 2 Program Actuals</b>	28,012 participants, 3,723 MWH, 1.37 MW reductions	1,490 participants, 303 MWH, 0.048 MW reductions	2,677 customers, 1,918 MWH, 0.43 MW reductions	258 customers, 502 MWH, 0.18 MW reductions	2,654,041 lighting products, 65,919 MWH and 6.00 MW reductions	6,006 participants, 10,027 MWH, 3.05 MW reductions
<b>Year 3 Program Forecast</b>	25,629 participants, 8,458 MWH, 3.10 MW reductions	5652 participants, 2,261 MWH, 0.36 MW reductions	2803 customers, 1,009 MWH, 0.20 MW reductions	1401 customers, 3,605 MWH, 0.78 MW reductions	908,158 lighting products, 29,529 MWH and 3.82 MW reductions	8,868 participants, 10,746 MWH, 2.69 MW reductions
<b>Implementation Approach</b>	444,179 customers solicited to opt-in to program by completing a Home Energy Survey. Direct Options is 3rd-party provider for opt-in survey and monthly Home Energy Reports. Customer service support provided by SCE&G's EnergyWise Contact Center group.	Customers will receive an EID device for a charge of \$ 520 or at no charge, if low-income. SCE&G administers this program in-house with customer service support provided by its EnergyWise Contact Center group.	Visual in-home energy assessments provided by SCE&G staff who are Building Performance Institute (BPI) certified Building Analysts. Customer service support provided by SCE&G Contact Center.	Contractors recruited and trained on program protocols by local staff of third party implementer, ICF International. Customers incur cost of diagnostic home audit with SCE&G offering rebates for installation of eligible measures recommended by auditor. Technical and contractor support for program provided by ICF International. Customer service support provided by SCE&G EnergyWise Contact Center group. Rebate processing provided by DSM staff.	Qualified ENERGY STAR lighting and lighting fixtures discounted at point of purchase for customers. SCE&G pays participating retailers for discounts provided. ICF International and lighting program implementer, APT, provide technical and field services support for this program. Customer service support provided by SCE&G EnergyWise Contact Center group. Rebate processing provided by DSM staff.	Customers receive rebates for installation of new high efficiency HVAC systems or non-electric resistance water heaters. Technical and contractor support for program provided by local staff of third party implementer, ICF International. Customer service support provided by SCE&G EnergyWise Contact Center. Rebate processing provided by DSM staff.
<b>Year 3 Program Activity</b>	Continue to issue reports to customers focused on customized energy savings, no cost/low cost energy tips, and cross-promoting other DSM programs. Reports are issued monthly to new participants and then switch to bi-monthly after one year of program participation. Over 3,000 Home Energy Reports customers have participated in other DSM programs. The Home Energy Plan, an on-line tool designed to help customers develop personal energy efficiency goals was also promoted as part of the program.	Launched a targeted direct mail campaign to increase program participation. Continued to work with customers to ensure proper set-up of device.	Continued various outreach and educational activities to promote the Home Energy Check-up Program as well as the other DSM residential programs.	Directory of 21 participating contractors (as of program year end) with Building Performance Institute (BPI) Building Analysts certification listed on SCE&G website. Training and utilization of BEACON audit assessment tool provided to participating contractors. Streamlined rebate approval processes for more timely rebate check issuance. Rebates for a variety of energy efficiency measures including building envelope improvements, heating and cooling performance improvements, heating and cooling equipment and water heating equipment were provided to customers.	Refreshed and rebranded point of purchase signage in stores to support awareness and education efforts. Field representatives continued to provide retailer support/training and conduct demonstrations in-store and at community events throughout SCE&G service territory. Expanded program to included a total of 199 participating retailers. Began offering discounts on omnidirectional light emitting diode (LED) bulbs.	Focused on distributor outreach in order to develop and leverage partnership opportunities with distributors with the shared objective of increasing the sale and installation of high efficiency HVAC equipment. Marketing efforts included bill inserts, direct mail and web campaigns. Updated customer-facing web pages. Continued outreach to builders for new construction.
<b>Next Steps / Program Modifications</b>	Solicit additional program participants. Continue to educate customers on household energy use, inform customers of new ways to save energy, and promote participation in other DSM programs.	Solicit additional program participants via targeted marketing. Continue to provide support for participating customers. Select new EID device.	Leverage opportunities to promote other DSM programs to Home Energy Check-up participants, as appropriate. Adjust the contents of the energy efficiency kit based on actual installation rates.	Continue marketing to promote the program to customers seeking a more energy efficient and comfortable home. Continue to provide business and technical training for participating contractors to aid their success in the home performance industry. Monitor national ENERGY STAR Home Performance guidelines, as new versions 1.5 and 2.0 may affect the program.	Continue to monitor impact of federal lighting efficiency regulation, Energy Independence and Security Act. Revising incentives on qualified lighting products.	Continue contractor outreach to promote program and provide value-added training and education opportunities to facilitate market transformation. Increase program outreach directly to residential customers. Revising incentive strategy on qualifying equipment.

**Demand Side Management Program Updates  
November 30, 2013**

	Residential			Commercial and Industrial	
	Heating & Cooling Efficiency Improvement	ENERGY STAR New Homes	Neighborhood Energy Efficiency Program (NEEP)	Prescriptive	Custom
<b>General Overview</b>	One-time incentives to encourage customers to improve the efficiency of existing AC and heat pump systems through HVAC tune-ups, complete duct replacements, duct insulation and duct sealing.	Incentives provided to builders for homes built to ENERGY STAR standards.	Provides qualifying customers energy efficiency education, an on-site energy survey of the dwelling, and direct installation of energy saving measures at no additional cost to the customer.	Incentives to non-residential customers for the installation of high efficiency lighting including LEDs, lighting controls, HVAC systems and food service equipment	Incentives to non-residential customers for qualifying energy efficient projects that are not eligible for incentives under the Prescriptive Program.
<b>Launch Date</b>	3/1/2011	4/1/2011	7/30/2013	10/1/2010	5/1/2011
<b>Year 1 Program Actuals</b>	85 participants, 37.6 MWH, 0.02 MW reductions	86 new homes, 196 MWH, 0.057 MW reductions	N/A	240 participants, 7,953 MWH, 1.52 MW reductions	1 participants, 63.7 MWH, .002 MW reductions
<b>Year 2 Program Actuals</b>	1,026 participants, 501 MWH, .16 MW reductions	353 new homes, 910 MWH, 0.3 MW reductions	N/A	544 participants, 23,870 MWH, 2.84 MW reductions	28 participants, 2,950 MWH, 0.50 reductions
<b>Year 3 Program Forecast</b>	20,225 participants, 11,549 MWH, 5.29 MW reductions	769 new homes, 692 MWh, 0.24 MW reductions	500 participants, 422 MWh, .06 MW reductions	500 participants, 48,571 MWH, 4.64 MW reductions	140 participants, 25,442 MWH, 3.84 MW reductions
<b>Implementation Approach</b>	Customers receive rebates for services delivered via independent contractors. Technical and contractor support for program provided by local staff of ICF International. Customer service support provided by SCE&G EnergyWise Contact Center. Rebate processing provided by DSM staff.	Builders receive rebates upon completion of homes constructed to meet current ENERGY STAR standards. Local staff of third party program implementer, ICF International, recruits, trains and provides field services support for builders and certified home raters participating in the program. Customer service support provided by SCE&G EnergyWise Contact Center group. Technical reviews and rebate processing provided by DSM staff.	Delivered to neighborhoods where approximately 50% of households have income levels equal to or less than 150% of the poverty line as defined by the federal government. Honeywell is implementing the program utilizing a neighborhood sweep approach delivering energy efficiency education, an on-site energy survey and the direct installation of energy saving measures. Marketing is provided in-house by SCE&G. Customer service support is provided by the Honeywell Call Center.	Customers receive rebates (or may assign to contractor) for the installation of new high efficiency lighting, lighting controls, traffic signals, HVAC systems and various food service equipment. Local and other staff of ICF International provides technical assistance to customers and trade allies and field services support. Contact center support provided by SCE&G EnergyWise Contact Center group.	Energy efficient projects not eligible for the Prescriptive Program are evaluated on a project-by-project basis and a custom incentive offered. Customers receive incentives or may assign to contractor. Local and other staff of ICF International provides technical assistance to customers and trade allies and field services support. Contact center support provided by SCE&G EnergyWise Contact Center group.
<b>Year 3 Program Activity</b>	The System Optimizer was eliminated due to low customer participation and lack of acceptance by contractors. Remaining measures were added to the Heating & Cooling and Water Heating Program.	Enrolled 16 builders and 8 home energy raters as of program year end. Conducted a number of program information and training sessions regarding ENERGY STAR home construction standards with participating builders throughout SCE&G service territory.	Covered neighborhoods included one in Columbia and one in Charleston.	Conducted trade ally information and training sessions throughout the year. Presented program information at local conferences and various business and industry related meetings and events. Marketing efforts included press releases, trade publication ads, trade ally direct mail campaign, and customer testimonials.	Custom Program addressed in conjunction with Prescriptive Program in trade ally information and training sessions throughout the year. Some training sessions included more focus on the Custom Program. Custom program information was also included in presentations at local conferences and business and industry related meetings and events. Marketing for the Custom and Prescriptive programs are combined.
<b>Next Steps / Program Modifications</b>	Remaining measures moved to the HVAC and Water Heating Program: duct sealing, duct insulation, complete duct replacement. Revising incentive strategy on qualifying measures.	Continue efforts to educate builders on requirements of ENERGY STAR version 3 and provide technical and other builder and rater support services throughout home construction process. Assist builders in learning how to effectively differentiate their homes in the marketplace from those that do not have ENERGY STAR certification.	Continue to assist residents of limited income neighborhoods become more energy efficient by bringing NEEP to cities/towns throughout SCE&G's service territory	Continue contractor/trade ally outreach and training. Review each incentive application to ensure offerings are inclusive of current technologies available in the market. Continue outreach efforts to all commercial customers. Market the Prescriptive and Custom Programs as the EnergyWise for your Business Program. Revising incentive strategy on qualifying measures.	Continue contractor/trade ally outreach and training, including Custom program specific training. Add Technical Services and Retro-commissioning offerings to the Custom program. Market the Prescriptive and Custom Programs as the EnergyWise for your Business Program. Revising incentive strategy on qualifying measures.

Exhibit No. 2

Table 1. Portfolio Net Savings, Program Costs and Participation

Program Name	NET Savings				Program Costs		Participation		
	MWh Actual	% of Forecast	MW Actual	% of Forecast	Actual	% of Forecast	Actual	% of Forecast	Def
ENERGY STAR Lighting	65,919	245%	6.00	172%	\$ 4,221,791	116%	2,654,041	321%	Bulbs
Heating & Cooling and Water Heating	10,027	113%	3.05	141%	\$ 2,572,898	70%	6,006	84%	Measures
Home Energy Report	3,723	45%	1.37	45%	\$ 349,767	81%	28,012	111%	Customers
Home Energy Check-up	1,918	257%	0.43	287%	\$ 751,389	125%	2,677	129%	Customers
ENERGY STAR New Homes	910	200%	0.3	188%	\$ 555,763	162%	353	70%	Homes
Heating & Cooling Efficiency Improvement	501	7%	0.16	5%	\$ 904,975	36%	1,026	8%	Customers
Home Performance with ENERGY STAR	502	19%	0.18	31%	\$ 1,174,442	47%	258	25%	Customers
Energy Information Display	303	16%	0.048	16%	\$ 501,482	61%	1490	31%	Customers
C&I Prescriptive & Custom	26,821	42%	3.34	46%	\$ 5,017,526	91%	572	103%	Customers
<b>Total</b>	<b>110,623</b>	<b>91%</b>	<b>14.88</b>	<b>72%</b>	<b>\$ 16,050,032</b>	<b>80%</b>	<b>2,694,435</b>	<b>306%</b>	
<i>*Actuals are compared to PY2 forecasts in the Evaluation Plan.</i>									
<i>*Program costs presented in this report do not account for amortization or interest (carrying cost)</i>									



**SCE&G**  
**Amortization of Program Costs for DSM Rate Calculation**

Balance of <u>Direct</u> Program Costs @ 11/30/2013	\$ 41,711,243
Balance of <u>Indirect</u> Program Costs @ 11/30/2013	<u>\$ 4,195,659</u>
Total Balance of Program Costs @ 11/30/2013	\$ 45,906,902

Customer Class	Balance of Direct Costs @ 11/30/2013	Direct Cost Allocation Ratios	Balance of Indirect Costs @ 11/30/2013	Class Allocation of Program Costs Balance	Reduced Balance for Rate Recovery	One Year Amortization for Rate Calculation
Residential	\$ 27,263,670	65.36%	\$ 2,742,282	\$ 30,005,952	\$ 15,002,976	\$ 3,000,595
Small General Service	\$ 5,546,423	13.30%	\$ 558,023	\$ 6,104,446	\$ 3,052,223	\$ 610,445
Medium General Service	\$ 4,558,209	10.93%	\$ 458,586	\$ 5,016,795	\$ 2,508,398	\$ 501,680
Large General Service	<u>\$ 4,342,941</u>	<u>10.41%</u>	<u>\$ 436,768</u>	<u>\$ 4,779,709</u>	<u>\$ 2,389,855</u>	<u>\$ 477,971</u>
<b>TOTAL</b>	<b>\$ 41,711,243</b>	<b>100.00%</b>	<b>\$ 4,195,659</b>	<b>\$ 45,906,902</b>	<b>\$ 22,953,452</b>	<b>\$ 4,590,691</b>

**SCE&G**  
**Projection and True-Up of Net Lost Revenues for DSM Rate Calculation**  
**From January 1, 2012 - November 2014**

Customer Class	Cumulative Energy Savings (in KWH) <sup>1</sup>	Net Lost Revenue Factors (\$ per KWH)	Estimated Net Lost Revenues for Recovery in Next Rate Period	Program Year Two True-Up Amount as Detailed Below <sup>2</sup>	Sub-Total	Application of Settled Swap Gains	Net Lost Revenues for Rate Calculation
Residential	209,112,417	\$0.10772	\$ 22,525,590	\$ 773,677	\$ 23,299,267	\$ (16,228,000)	\$ 7,071,267
Small General Service	43,354,393	\$0.09696	\$ 4,203,642	\$ (3,549,416)	\$ 654,226	\$ -	\$ 654,226
Medium General Service	37,539,079	\$0.07019	\$ 2,634,868	\$ (1,305,844)	\$ 1,329,024	\$ (199,000)	\$ 1,130,024
Large General Service	38,307,531	\$0.04383	\$ 1,679,019	\$ 39,612	\$ 1,718,631	\$ (1,364,000)	\$ 354,631
			\$ 31,043,119	\$ (4,041,971)	\$ 27,001,148	\$ (17,791,000)	\$ 9,210,148

**Notes:**

<sup>1</sup> Cumulative Energy Savings are actual for the period of January 1, 2012 through November 2012 per EM&V results, and projected for Program Years 3 & 4 (through November 30, 2014)

<sup>2</sup> Detailed calculation of the True-Up from January 1, 2012 through November 2012 (the month of December 2011 was not included in accordance with PSC Order No. 2010-472):

Customer Class	Actual Energy Savings (in KWH) from EM&V Study	Net Lost Revenue Factors (\$ per KWH)	Net Lost Revenue Incurred	Net Lost Revenue Collected from Customers	Calculated True-Up
Residential	76,819,417	\$0.08760	\$ 6,729,381	\$ 5,955,704	\$ 773,677
Small General Service	7,031,310	\$0.08366	\$ 588,239	\$ 4,137,655	\$ (3,549,416)
Medium General Service	7,687,730	\$0.05992	\$ 460,649	\$ 1,766,493	\$ (1,305,844)
Large General Service	9,865,961	\$0.03488	\$ 344,125	\$ 304,513	\$ 39,612

**SCE&G**  
**Projection and True-Up of Shared Savings Incentive**  
**for DSM Rate Calculation**  
**From October 2010 - November 2014**

Customer Class	Cumulative Shared Savings Amortization through Program Year Four	Shared Savings Amortization True-Up Amount from Second Program Year <sup>1</sup>	Shared Savings Amortization for Rate Calculation
Residential	\$ 1,034,956	\$ 150,392	\$ 1,185,348
Small General Service	\$ 225,969	\$ (170,415)	\$ 55,554
Medium General Service	\$ 185,941	\$ (75,091)	\$ 110,850
Large General Service	\$ 182,583	\$ 24,879	\$ 207,462
<b>Totals:</b>	<b>\$ 1,629,449</b>	<b>\$ (70,235)</b>	<b>\$ 1,559,214</b>

**Notes:**

<sup>1</sup> Detailed Calculation of Program Year Two (December 2011 - November 2012) True-Up:

Customer Class	Actual Shared Savings Amortization (per EM&V Study)	Shared Savings Amortization Collected From Customers - Program Year Two	Calculated True-Up Applicable to Program Year Two
Residential	\$ 457,470	\$ 307,078	\$ 150,392
Small General Service	\$ 60,958	\$ 231,373	\$ (170,415)
Medium General Service	\$ 60,885	\$ 135,976	\$ (75,091)
Large General Service	\$ 68,123	\$ 43,244	\$ 24,879

**SCE&G**  
**DSM Rate Calculation**  
**(For the Recovery Period of May 2014 - April 2015)**

Exhibit No.	Description	Total	Customer Class			
			Residential	Small General Service	Medium General Service	Large General Service
3	Amortization of Program Costs	\$ 4,590,691	\$ 3,000,595	\$ 610,445	\$ 501,680	\$ 477,971
4	Estimated Net Lost Revenues	\$ 9,210,148	\$ 7,071,267	\$ 654,226	\$ 1,130,024	\$ 354,631
5	Shared Savings Incentive	\$ 1,559,214	\$ 1,185,348	\$ 55,554	\$ 110,850	\$ 207,462
	<b>Total DSM Costs for Recovery</b>	<b>\$ 15,360,053</b>	<b>\$ 11,257,210</b>	<b>\$ 1,320,225</b>	<b>\$ 1,742,554</b>	<b>\$ 1,040,064</b>
	<b>Projected Class Sales (in GWH) during the Recovery Period <sup>1</sup></b>		<b>7,684.2</b>	<b>3,189.9</b>	<b>1,969.5</b>	<b>2,850.6</b>
	<b>Rate per KWH</b>		<b>\$ 0.00146</b>	<b>\$ 0.00041</b>	<b>\$ 0.00088</b>	<b>\$ 0.00036</b>

**Notes:**

<sup>1</sup> Projected Class Sales are for the Recovery Period of May 2014 - April 2015 and are adjusted to account for those customers who have opted-out of SCE&G's DSM programs.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

ELECTRICITY

RIDER TO RETAIL RATES

DEMAND SIDE MANAGEMENT COMPONENT

(Page 1 of 2)

APPLICABILITY

Service supplied under the Company's retail electric rate schedules is subject to approved Demand Side Management (DSM) program cost adjustments. The rates shown below are applicable to and a part of the Company's South Carolina retail electric rate schedules and included in the monthly rate provision of the applicable schedule used in billing and shall therefore be added to customer's monthly bill statement:

DSM RATES BY CLASS (\$/kWh)

Customer Class	DSM Factors
Residential	0.00146
Small General Service	0.00041
Medium General Service	0.00088
Large General Service	0.00036

DERIVATION OF FACTORS

Demand Side Management costs to be recovered in an amount rounded to the nearest one-thousandth of a cent per kilowatt-hour will be determined by the following formula:

$$A = D / S$$

A = Customer Class Specific DSM Program Costs Rate Adjustment per kilowatt-hour applied to base rates rounded to the nearest one-thousandth of a cent.

D = DSM revenue requirement for the period calculated as ( C + L + R )

Where:

C = One year of Amortization Expense (based upon the balance of DSM Program Costs at the beginning of the annual review period) plus associated Carrying Costs (calculated using the Company's Weighted Average Cost of Capital)

L = Net Lost Revenues for each customer class are based on forecasted retail kWh sales reductions attributable to DSM programs. Revenues lost are calculated using the average rate per customer class less the class specific fuel component and variable O&M. The resulting factor is then multiplied by the kWh sales lost for each class of customers. This amount will be "trued-up" for the actual impact on prior year sales. The total amount of net lost revenues is limited to a rolling three (3) year period.

R = One year of amortization of DSM Program Incentive to be calculated by multiplying the estimated Net Present Value Benefit of each energy efficiency program as determined by the Utility Cost Test times 6%.

S = Projected customer class specific sales, defined as retail kilowatt-hour sales from each class of customers for the current period, less sales from customers who have been approved for opt-out status.

The appropriate revenue-related tax factor is to be included in these calculations.

"OPT-OUT" PROVISION

1. Industrial customers as defined in Rate 23 are eligible to opt-out of DSM programs and costs.
2. Non-residential accounts that have both (i) annual consumption of 1,000,000 kilowatt-hours or greater in the billing months of the prior calendar year and (ii) 52-59 as the first two digits of their Standard Industrial Classification or 44-45 as the first two digits of their six digit North American Industry Classification System are also eligible to opt-out of the DSM programs and costs.

**SOUTH CAROLINA ELECTRIC & GAS COMPANY**

**ELECTRICITY**

**RIDER TO RETAIL RATES**

**DEMAND SIDE MANAGEMENT COMPONENT**

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3. If a customer elects to opt out an eligible non-residential account, all other non-residential accounts which are billed to the same customer and located on the same or contiguous properties are also eligible for the opt-out. A customer may not aggregate accounts at separate locations to achieve the eligibility threshold of 1,000,000 kilowatt-hours.
4. Customers wishing to opt-out of DSM programs and recovery of DSM costs shall file a writing with the Company on a form provided by the Company representing that they have already implemented or will be implementing alternative DSM programs. Certifications shall be valid until withdrawn. If a Customer should choose to participate in one or more DSM programs for any account prior to or after the issuance of Commission Order No. 2013-826, then such Customer will not be permitted to opt-out of DSM programs and recovery of DSM costs for that account(s) for a period of five (5) years from the date the Customer accepts a DSM rebate from the Company.
5. Customers who opt-out but later elect to participate in one of the Company's programs may do so upon application to the Company. If acceptable to the Company, the Customer may participate in the Company's programs for any account(s), but may not apply to opt-out for that account(s) again for a period of five (5) years from the date the Customer accepts a DSM rebate from the Company.

Since DSM charges are included and a part of retail rates, customers qualifying for the opt-out provision shall receive the following DSM Credit on their monthly bill statement:

$$\text{DSM Credit} = \text{Billed kWh times the applicable DSM Rate}^*$$

\* The DSM Rate shall be as shown in the above table for the schedule applicable to Customer's monthly bill.

**DEFINITIONS**

1. Annual Review Period - The period of time between December 1 and November 30.
2. Amortization Period - The five-year period of time which the Company's DSM measures, program costs and incentive are deferred and amortized.
3. Customer Class - The Company's classification of customers based on similar energy usage characteristics. These are defined as follows:

**Residential:**

Rate 1 – Good Cents Rate, Rate 2 – Low Use Residential Service, Rate 5 - Residential Service Time-of-Use, Rate 6 – Energy Saver / Conservation Rate, Rate 7 – Residential Service Time-Of-Use Demand, Rate 8 – Residential Service

**Small General Service:**

Rate 3 – Municipal Power Service, Rate 9 – General Service, Rate 10 – Small Construction Service, Rate 11 – Irrigation Service, Rate 12 – Church Service, Rate 13 – Municipal Lighting Service, Rate 14 – Farm Service, Rate 16 – General Service Time-Of-Use, Rate 22 – School Service, Rate 28 (Experimental) – Small General Service Time-Of-Use Demand

**Medium General Service:**

Rate 20 – Medium General Service, Rate 21 – General Service Time-Of-Use Demand, Rate 21A – Experimental Program - General Service Time-Of-Use Demand

**Large General Service:**

Rate 23 – Industrial Power Service, Rate 24 – Large General Service Time-Of-Use, Rate 27 - Large Power Service Real Time Pricing (Experimental)

**SALES AND FRANCHISE TAX**

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

**PAYMENT TERMS**

All bills are net and payable when rendered.

**TERM OF CONTRACT**

The contract terms will be the same as those incorporated in the rate tariff under which customer receives electric service.

**GENERAL TERMS AND CONDITIONS**

The Company's General Terms and Conditions are incorporated by reference and form a part of this rider.

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

**CLERK'S OFFICE**

**NOTICE OF FILING**

**DOCKET NO. 2014-\_\_\_\_-E**

**SOUTH CAROLINA ELECTRIC & GAS COMPANY – ANNUAL UPDATE ON DEMAND SIDE MANAGEMENT PROGRAMS AND PETITION TO UPDATE RATE RIDER**

On January 31, 2014, South Carolina Electric & Gas Company (“SCE&G” or “Company”), pursuant to S.C. Code Ann. § 58-37-20 (Supp. 2012), 10 S.C. Code Ann. Regs. 103-819 and 103-825 (2012), and Public Service Commission of South Carolina (“Commission”) Order No. 2010-472 issued in Docket No. 2009-261-E, as affirmed and modified by Order No. 2013-826 issued in Docket No. 2013-208-E, filed its Annual Update on Demand Side Management (“DSM”) Programs and in doing so, requested that the Commission issue an order authorizing SCE&G to update its “Rider to Retail Rates – Demand Side Management Component” to provide for the recovery of SCE&G’s costs and net lost revenues associated with its DSM programs along with the Commission-approved shared savings incentive for investing in such programs, effective for bills rendered on and after the first billing cycle of May 2014.

According to the Petition, the proposed rates and charges, if approved, would be as follows: \$0.00146 per kilowatt hour (“kWh”) for residential; \$0.00041 per kWh for small general service; \$0.00088 per kWh for medium general service; and \$0.00036 per kWh for large general service. SCE&G requests that the proposed adjustment, if approved, be effective for bills rendered on and after the first billing cycle of May 2014.

A copy of the Company’s complete filing, as well as the proposed rates, charges and tariffs may be obtained from the Commission at the following address: Public Service Commission of South Carolina, Clerk’s Office, 101 Executive Center Drive, Columbia, South Carolina 29210. Additionally, the Petition is available on the Commission’s website at [www.psc.sc.gov](http://www.psc.sc.gov) and is available from the corporate office of South Carolina Electric & Gas Company at 220 Operation Way, Cayce, South Carolina 29033.

Any person who wishes to participate in this matter as a party of record should file a Petition to Intervene in accordance with the Commission’s Rules of Practice and Procedure on or before **February 28, 2014**. Please include an email address for receipt of future Commission correspondence in the Petition to Intervene. *Please refer to Docket No. 2014-\_\_\_\_-E.*

Any person who wishes to provide written comments to the Commission concerning the Petition may do so anytime before **April 1, 2014**. Written comments should be sent to the Public Service Commission of South Carolina at the address below; the South Carolina Office of Regulatory Staff, 1401 Main Street, Suite 900, Columbia, South Carolina 29201; and K. Chad Burgess, Associate General Counsel, South Carolina Electric & Gas Company, 220 Operation Way, Mail Code C222, Cayce, South Carolina 29033. *Please refer to Docket No. 2014-\_\_\_\_-E.*

Persons seeking information about the Commission’s Rules of Practice and Procedure should contact the Commission in Columbia at 803-896-5100.

Public Service Commission of South Carolina  
Attn: Docketing Department  
101 Executive Center Drive, Suite 100  
Post Office Drawer 11649  
Columbia, SC 29211