BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Energy Conservation Cost Recovery Clause	)	DOCKET NO. 140002-EI
	)	FILED: Sept. 5, 2014

WAL-MART STORES EAST, LP AND SAM'S EAST, INC.'S NOTICE OF FILING

Wal-Mart Stores East, LP and Sam's East, Inc. (collectively "Walmart"), hereby gives notice of filing the Direct Testimony of Kenneth E. Baker with Exhibits KEB-1 through KEB-5 in the above-referenced docket.

Respectfully submitted this 5th day of September, 2014.

Robert Scheffel Wright, Attorney at Law
schef@gbwlegal.com
John T. LaVia, III, Attorney at Law
jlavia@gbwlegal.com
Gardner, Bist, Wiener, Wadsworth, Bowden,
Bush, Dee, LaVia & Wright, P.A.
1300 Thomaswood Drive
Tallahassee, Florida 32308
Telephone (850) 385-0070
Facsimile (850) 385-5416

Attorneys for Wal-Mart Stores East, LP
and Sam's East, Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic Mail this 5th day of September, 2014 to the following:

John T. Burnett/Dianne Triplett
Duke Energy Florida
299 First Avenue North
St. Petersburg, FL
john.burnett@duke-energy.com
Dianne.triplett@duke-energy.com

Ken Hoffman
Florida Power & Light Company
215 S. Monroe St., Ste. 810
Tallahassee, FL 32301-1858
Ken.hoffman@fpl.com

Kenneth M. Rubin/Maria Moncada
Florida Power & Light Company
700 Universe Blvd.
Juno Beach, FL 33408
Ken.Rubin@fpl.com
Maria.Moncada@fpl.com

Robert L. McGee, Jr.
Gulf Power Company
One Energy Place
Pensacola, FL 32520-0780
rlmcgee@southernco.com

Paul Lewis, Jr./Matthew Bernier
Duke Energy
106 E. College Ave., Ste. 800
Tallahassee, FL 32301-7740
Paul.lewisjr@duke-energy.com
Matthew.bernier@duke-energy.com

J. Beasley/J. Wahlen/A. Daniels
Ausley Law Firm
P.O. Box 391
Tallahassee, FL 32302
jbeasley@ausley.com
jwahlen@ausley.com
adaniels@ausley.com

J. Stone/R. Badders/S. Griffin
Beggs & Lane
P.O. Box 12950
Pensacola, FL 32591-2950
jas@beggslane.com
rab@beggslane.com
srg@beggslane.com

Jon C. Moyle, Jr./Karen Putnal
Florida Industrial Power Users
Moyle Law Firm
118 N. Gadsden St.
Tallahassee, FL 32301
jmoyle@moylelaw.com
kputnal@moylelaw.com

Office of Public Counsel
J.R. Kelly/P. Christensen/C. Rehwinkel
c/o The Florida Legislature
111 W. Madison Street, Rm. 812
Tallahassee, FL 32393-1400
Kelly.jr@leg.state.fl.us
Christensen.patty@leg.state.fl.us
Rehwinkel.charles@leg.state.fl.us

James W. Brew/F. Alvin Taylor
PCS Phosphate - White Springs
Brickfield Law Firm
1025 Thomas Jefferson St, NW
8th Floor
Washington, DC 20007-5201
jbrew@bbrslaw.com
al.Taylor@bbrslaw.com

Cheryl M. Martin
Florida Public Utilities Company
1641 Worthington Rd., Ste. 220
West Palm Beach, FL 33409-6703
cyoung@fpuc.com

Paula K. Brown, Manager
Tampa Electric Company
P.O. Box 111
Tampa, FL 33602
pkbrown@tecoenergy.com

George Cavros
Southern Alliance for Clean Energy
120 E. Oakland Park Blvd. #105
Fort Lauderdale, FL 33334
George@cavros-law.com

Attorney

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Energy Conservation Cost Recovery Clause	)	**Docket No. 140002-EG**

DIRECT TESTIMONY OF KENNETH E. BAKER

ON BEHALF OF

WAL-MART STORES EAST, LP AND SAM'S EAST, INC.

Dated: September 5, 2014

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Kenneth E. Baker. My business address is 2001 SE 10th Street, Bentonville, AR 72716-0550.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

A. I am employed by Wal-Mart Stores, Inc. as Senior Manager of Sustainable Regulation and Legislation.

Q. IS WALMART SPONSORING THE TESTIMONY OF ANY OTHER WITNESSES IN THIS PROCEEDING?

A. Yes. Walmart is also sponsoring the testimony of Mr. Steve W. Chriss to address issues concerning cost allocation and rate design.

Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A. In 1985, I received my B.S. degree in Health Science from the College of St. Frances and later attended law school at the University of Arkansas at Little Rock School of Law, graduating in 1992 with a J.D. degree. I then practiced law at the Center for Arkansas Legal Services from 1992 to 1999 prior to joining Walmart. Early in my career at Walmart, I held the position of Manager of Real Estate where I helped locate sites for distribution centers. My duties in that position included locating sites and negotiating with communities to build distribution centers. In 2006, I transferred to the Energy Department and am currently the Senior Manager for Sustainable Regulation and Legislation. My current duties include monitoring, participating, and testifying in cases before state utility commissions and monitoring legislation that could potentially impact Walmart's business, with particular

attention to Walmart's sustainability and renewable energy commitments and initiatives. I have also been involved in the negotiation, drafting, and execution of renewable energy and energy efficiency contracts.

Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECTION?

A. Yes.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION (THE "COMMISSION")?

A. No.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE OTHER STATE UTILITY REGULATORY COMMISSIONS?

A. Yes. I have submitted testimony before the Commissions in Missouri, North Carolina, New Mexico, Massachusetts, Arizona, Georgia, Indiana, Kentucky, and South Carolina. Additionally, I have submitted testimony before legislative committees in Texas and Pennsylvania. My testimony has included topics concerning demand response, demand side management measures, and renewable energy issues. *See* Exhibit KEB-1.

Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?

A. Yes. I am sponsoring the following exhibits:

Exhibit KEB-1: Qualifications of Kenneth E. Baker

Exhibit KEB-2: Energy Efficiency and Demand Side Management Programs of the Companies

Exhibit KEB-3: Oklahoma Administrative Code Section OAC 165:35-41-3

Exhibit KEB-4 Public Service Company of Oklahoma and Duke Energy Carolinas' South Carolina DSM-EE tariffs

Exhibit KEB-5 PSC of South Carolina, Order No. 2008-251-E

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I am testifying on behalf of Wal-Mart Stores East, LP and Sam's East, Inc. (collectively "Walmart") in support of policy proposals to redesign the Florida investor-owned utilities' Energy Conservation Cost Recovery ("ECCR") Charges in such a way that the charges for energy efficiency ("EE") are segregated from the demand side management portion of the ECCR charge. In my testimony, I also advocate allowing customers who meet defined criteria to satisfy their EE responsibilities by implementing their own EE measures. By virtue of their self-implemented measures, such customers would be exempt from paying the ECCR charges for the EE portion of the charge, and they would correspondingly be excluded from participation in the utilities' EE programs and measures.

Q. TO WHICH FLORIDA UTILITIES WOULD YOUR PROPOSALS APPLY?

A. My proposals would apply to Florida's four large investor-owned utilities, i.e., Florida Power & Light Company ("FPL"), Duke Energy Florida ("DEF" or "Duke"), Tampa Electric Company ("TECO"), and Gulf Power Company ("Gulf"). I refer to these utilities collectively as the "Companies." Walmart is a significant customer of each of these utilities, as well as a customer of many municipal and cooperative utilities in Florida. In the aggregate, Walmart used approximately 1.5 billion kilowatt-hours ("kWh") of electricity in Florida in 2013.

Q. HOW DO DEMAND-SIDE MANAGEMENT AND ENERGY EFFICIENCY MEASURES IMPLEMENTED BY A PROACTIVE CUSTOMER YIELD BENEFITS FOR THE COMPANIES' OTHER CUSTOMERS?

A. A customer, whether commercial or industrial, that implements DSM and EE measures on its own yields network benefits for all of the Company's other customers. These network benefits include reduced overall energy cost that result from the reduced load and demand of the customers system. An additional network benefit is the increased system reliability that results in reducing system loss from the commercial customers' reduced energy demand. Other utility customers enjoy all of the system network benefits without having to fund such measures through their rates or additional recovery riders. Large customers who have undertaken their own conservation and energy efficiency programs provide these benefits to all customers at no cost to those customers. Also, the individual customer assumes all of the risk of the investment, as opposed to having that risk passed on to other ratepayers. Therefore, the customer implementing the EE measures has every incentive to ensure that the implemented measures are cost effective, and as a result, both the individual large customer as well as the Companies' other customers benefit.

Q. IN THIS TESTIMONY YOU REFER TO ENERGY EFFICIENCY ("EE") AND DEMAND SIDE MANAGEMENT ("DSM"). PLEASE DEFINE THOSE TERMS AS YOU WILL USE THEM IN THIS TESTIMONY.

A. When using the term DSM, I am referring to programs, measures, and activities that primarily reduce a customer's demand imposed on the utility system. DSM measures include direct load control (e.g., energy curtailment or utility-controlled cycling of residential customers' electric heating or air conditioning), customer-owned standby generation, interruptible and curtailable service, and similar measures. I also refer to "Demand Response" ("DR") measures as a generic reference to customer-controlled demand reductions that a customer implements upon request of the serving utility.

When using the term EE, I am referring to programs, measures, and actions by the customer that primarily lowers the energy usage of a particular facility. Examples of EE measures include HVAC efficiency upgrades, window replacement, ceiling insulation, high-efficiency appliances, high-efficiency motors, and high-efficiency lighting systems.

Q. PLEASE DESCRIBE WALMART'S OPERATIONS IN FLORIDA.

A. Walmart operates 317 retail units and 8 distribution centers in Florida and employs over 97,000 associates in the state. In fiscal year ending 2014, Walmart purchased $4.8 billion worth of goods and services from Florida-based suppliers, supporting 65,791 supplier jobs. *See* http://corporate.walmart.com/our-story/locations/united-states#/united-states/florida.

Q. PLEASE DESCRIBE WALMART'S DSM AND EE COMMITMENTS AND INITIATIVES.

A. Walmart has established itself as an industry leader in energy conservation, renewable energy, and sustainability by making operational and financial

commitments to environmental stewardship in many aspects of our business. We made the following commitments in 2005:

1. To be supplied 100% renewable energy;
2. To create zero waste; and
3. To sell products that sustain people and the environment in the United States and throughout the world.

Additionally, in 2013, Walmart made two additional commitments:

1. Scale renewable energy through driving the annual production or procurement of seven billion kWh of renewable energy across Walmart's global footprint by December 31, 2020 – an increase of over 600 percent compared to 2010; and
2. Accelerate energy efficiency by reducing the kWh/sqft energy intensity required to power our buildings around the world by 20 percent by December 31, 2020 as compared to 2010 levels.

Q. CAN YOU PROVIDE SPECIFIC EXAMPLES OF WALMART'S DEPLOYMENT OF DEMAND-SIDE MANAGEMENT AND ENERGY EFFICIENCY TECHNOLOGY?

A. Walmart has implemented many energy saving technologies, including:

1. Sub-metering systems in approximately 1,650 facilities in the United States and 375 in the United Kingdom;
2. Daylight harvesting and optimization systems that monitor and adjust lighting intensity while automatically adjusting given the amount of light coming in from skylights;

3. White membrane roofs are placed on the roofs of facilities in certain parts of the country in order to lower cooling load;
4. Heat recovery from our refrigeration systems that is capable of meeting up to 70 percent of that stores hot water needs;
5. Highly efficient HVAC systems;
6. LED lighting; and
7. Active dehumidification that enables stores to operate at higher ambient temperatures, thereby reducing electricity usage for air conditioning.

Walmart has implemented many of these measures at our facilities in Florida. Additionally, all of Walmart's United States stores, including those in Florida, are centrally monitored to control the stores' temperature, lighting, and refrigeration units. This energy management system, in combination with select advanced metering systems, allows Walmart to efficiently implement demand response commands. As a result, Walmart currently participates in approximately twelve utility or ISO/RTO demand response programs nationwide.

Q. WHAT ARE YOUR RECOMMENDATIONS TO THE COMMISSION?

A. My recommendations are as follows:

a. Require the utilities to separate their Energy Conservation Cost Recovery expenditures into two categories, one for energy efficiency programs and the other for demand side management programs.

b. Allow pro-active non-residential customers who implement their own energy efficiency programs and meet certain other criteria to opt out of the utility's

EE programs and not be required to pay the cost recovery charges for the utility's EE programs approved by the Commission pursuant to Section 366.82, Florida Statutes.

Q. ARE YOU FAMILIAR WITH THE VARIOUS DSM AND EE PROGRAMS OFFERED BY THE COMPANIES?

A. Yes. Please see Exhibit KEB-2. This exhibit lists the Companies' programs divided into DSM and EE categories.

Q. ARE YOU FAMILIAR WITH THE METHODOLOGY OF HOW COSTS ARE ALLOCATED TO THE RATE CLASSES FOR THE COMPANIES' PROGRAMS?

A. No, however, my colleague, Steve W. Chriss will address rate or cost allocation issues in his testimony.

Q. DO ANY OF THE COMPANIES CURRENTLY OFFER CUSTOMERS THE OPPORTUNITY TO ELECT TO NOT PARTICIPATE IN THE COMPANY'S EE PROGRAMS AND TO BE EXEMPTED FROM THE EE PORTION OF THE ECCR CHARGE?

A. No, however, it is Walmart's position that the Commission should allow any non-residential customer with multiple locations who has electric usage above a predetermined threshold level, operating within a particular Company's service territory, to opt out of participating in a Company's Energy Efficiency programs. In determining whether a customer satisfies the threshold requirement, I recommend that the customer be allowed to aggregate all of its delivery points and accounts within each Company's service area. Additionally, those customers who qualify for,

and make the decision to opt out and not participate in that Company's programs should not be assessed the EE portion of the ECCR charge.

Q. DO YOUR RECOMMENDATIONS HAVE ANY EFFECT OR IMPACT ON A COMPANY'S DSM PROGRAMS?

A. No. My recommendations only address opting out of participating in, and paying for, a Company's EE programs.

Q. WHY DOES YOUR PROPOSAL EXCLUDE RESIDENTIAL CUSTOMERS?

A. Walmart has no fundamental objection to residential customers having the option to opt out and would not oppose the Commission investigating and approving such an option. However, at this time I believe the scale upon which eligible customers operate allows for more minimal administrative burden for the Commission and the Companies.

Q. WHY WOULD WALMART ELECT NOT TO PARTICIPATE IN THE COMPANIES' ENERGY EFFICIENCY PROGRAMS?

A. Walmart is in the best position to understand its unique business operations, and we are able to create programs tailored to maximize the impact of energy efficiency measures installed at our facilities. Additionally, due to the size and scope of measures we can implement, we can potentially benefit by participating in the competitive market place for energy efficiency goods and services, as energy service companies compete to provide the most innovative and cost effective products to their customers on a regional and national basis.

Q. WHAT CRITERIA DOES WALMART RECOMMEND TO QUALIFY TO ELECT TO OPT OUT OF PARTICIPATING IN THE COMPANIES' EE PROGRAMS?

A. Walmart recommends the following criteria in order to be eligible to opt out of EE programs and charges:

1. Aggregated consumption by a single customer of more than 15 million kWh of electricity per year across all eligible accounts, meters, or service locations within each Company's service area.
2. To be designated an eligible account that account may not have taken benefits under designated EE programs within 2 years before the period for which the customer is opting out.
3. An eligible account may not opt in to participate in the designated EE programs for 2 years after the first day of the year of the period in which the customer first opts out.
4. The customer must certify to the Company that the customer either (a) has implemented, within the prior 5 years, EE measures that have reduced the customer's usage, measured in kWh per square foot of space, or other similar measure as applicable, by a percentage at least as great as the Company's energy efficiency reductions through its approved EE programs, expressed as a percentage of the Company's total retail kWh sales as measured over the same time period; or (b) has performed an energy audit or energy use analysis within the three year period preceding the customer's opt out request and confirms to the utility, that

the customer has either implemented the recommended measures or that the customer has a definite plan to implement qualifying EE programs within 24 months following the date of the opt out request.

Q. IS THE BENCHMARK LEVEL OF 15 MILLION KWH PER YEAR USED IN ANY OTHER JURISDICTION?

A. Yes. Oklahoma Gas & Electric and Public Service Company of Oklahoma use 15 million kWh per year aggregated across all sites as their benchmark or threshold level for a customer to elect to not participate in their demand-side management programs. *See* OAC 165:35-41-3. A copy of this provision of the Oklahoma Administrative Code is included here as my Exhibit KEB-3.

Q. HAVE OTHER STATE UTILITY REGULATORY AUTHORITIES APPROVED SUCH OPT-OUT PROVISIONS?

A. Yes. For example, the Oklahoma Corporation Commission has approved opt-out provisions, as has the Public Service Commission of South Carolina. As examples, I have attached copies of the relevant tariffs for Public Service Company of Oklahoma and for Duke Energy Carolinas' South Carolina DSM-EE tariffs in Exhibit KEB-4. Additionally, Missouri and West Virginia have approved opt-out tariffs, and a number of other states have approved similar rate treatment utilizing customer-self-directed energy efficiency activities.

Q. OTHER THAN THE BASIC FAIRNESS OF ALLOWING CUSTOMERS WHO EXCEED A DEFINED THRESHOLD OF EE ACHIEVEMENT AT THEIR OWN EXPENSE TO OPT OUT OF PARTICIPATING IN THE COMPANIES' EE PROGRAMS (BUT NOT THEIR DSM PROGRAMS), HAVE OTHER STATE UTILITY COMMISSIONS RECOGNIZED ADDITIONAL BENEFITS OR JUSTIFICATIONS FOR APPROVING OPT-OUT PROVISIONS LIKE YOUR PROPOSALS IN THIS CASE?

A. Yes. For example, the Public Service Commission of South Carolina recognized that "the opt-out procedure will support business retention and economic development, and will be easy for PEC to administer." In Re: Application of Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. for the Establishment of Procedures for DSM/EE Programs, Docket No.2008-251-E, Public Service Commission of South Carolina, Order No. 2008-251-E at 11. The reference to PEC is to Progress Energy Carolinas, a sister company of Duke Energy Florida. A copy of this order is included as Exhibit KEB-5 to my testimony.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Energy Conservation Cost Recovery Clause	)	Docket No. 140002-EG

EXHIBITS OF KENNETH E. BAKER

ON BEHALF OF

WAL-MART STORES EAST, LP AND SAM'S EAST, INC.

Dated: September 5, 2014

KENNETH BAKER

702 Windsor Lane • Bentonville, Arkansas 72716
• (479) 586-3596

SUMMARY OF QUALIFICATIONS

Attorney extensively experienced in civil litigation, and family law in addition to experience in law, specifically in the area of sustainable legislation and regulation. A proven leader, with a demonstrated ability to handle complex legal matters, exercise sound judgment, and respond quickly and accurately to evolving policies and regulations.

- Ability to manage multiple ongoing projects while maintaining a commitment to integrity
- Experience in preparing intervention documents, and providing testimony for regulatory and legislative proceedings
- Knowledgeable in real estate construction management, land acquisition, and market analysis
- Exhaustive knowledge in family law and domestic law case management
- Comprehensive understanding and extensive experience in civil litigation practice
- Licensed to practice law in the state of Arkansas since 1992

PROFESSIONAL EXPERIENCE

WAL-MART STORES, INC. – Bentonville, Arkansas **2006 to Present**

Senior Manager of Sustainable Regulation and Legislation

- Delivered $1.2 million in mitigated savings to stores and clubs through participation in Opt Out and Self Direct state energy efficiency programs.
- Participated in conferences and meetings with state utility commissioners and staff to influence regulations, rule makings and policies that providing significant financial savings to Walmart.
- Collaborated with industry partners and commented on thousands of pieces of energy legislation to address and influence state and federal renewable policies, resulting in financial savings to Walmart of approximately $17 million.
- Provided written and oral witness testimony in numerous energy docket interventions.
- Assisted the Legal Department in drafting, negotiating and executing renewable energy contracts through Power Purchase Agreements, Leases, and direct ownership.
- Partnered with Public Affairs department to introduce or amend renewable legislation to support corporate renewable goals.

Prior Testimonies before State Utility Regulatory Commissions

- Delivered $1.2 million in mitigated savings to stores and clubs through participation in Opt Out and Self Direct state energy efficiency programs.
- New Mexico- Renewable Portfolio Procurement Plan – Docket No. 10-00199-UT; 10-00373-UT
- North Carolina – Distributed Generation & EE- Smart Grid – Docket No. E-7 Sub 856; E-100 Sub 123
- South Carolina – Smart Grid – Docket No. 2005-385-E
- South Carolina – SCE&G DSM/EE – Docket No. 2013-208-E
- South Carolina – Duke Energy Carolinas DSM/EE – Docket No. 2013-298-E

Continued...

KENNETH BAKER

- Missouri – DSM – Cause No. EO-2012-009
- Massachusetts – Forward Capacity Market – Docket No. D.P.U. 08-8
- Indiana – Energy Efficiency Self Direct – Cause No. 43580
- Arizona – Renewable Energy Standard – Docket Nos. E-01345A-10-0394; E-0134A-12-0290; E-01933A-12-0296; E-04204A-12-0297
- Georgia – IRP – Docket Nos. 36498; 36499

WAL-MART STORES, INC. – Bentonville, Arkansas **1999-2006**

Senior Real Estate Manager

- Conducted market analysis for distribution center site decisions, analyzed data, and identified potential site options.
- Obtained and evaluated incentive programs, labor studies and demographic information for site locations, and negotiated the purchase of land for over 10 new 1 million square foot distribution center sites.
- Attended initial meetings with community leaders, participated at city and county board meetings, and partnered with Public Affairs to gain community support for over 10 distribution center projects throughout the U.S.
- Managed and lead the closing process, analyzed financials, updated site plans and prepared real estate closing presentation for executive level management for multi- million dollar distribution center projects.

CENTER FOR ARKANSAS LEGAL SERVICES – Little Rock, Arkansas **1992-1999**

Attorney

- Successfully argued before both the Arkansas Court of Appeals and the Arkansas Supreme Court.
- Represented over 150 clients at any given time in civil cases involving domestic and family law, contracts, and landlord/tenant disputes.
- Managed a large, diverse litigation caseload, researched and drafted memoranda and pleadings, engaged in discovery, factual investigations, depositions and court appearances.
- Provided on site supervision and substantive support to 20 attorneys on a broad range of civil cases.

REBSAMEN REGIONAL MEDICAL CENTER–Jacksonville, Arkansas **1986-1999**

Registered Medical Technologist

- Performed chemical and bacterial analysis on various body fluids and culture specimens.

EDUCATION AND CERTIFICATIONS

Juris Doctor / 1992
University of Arkansas at Little Rock School of Law, Little Rock, Arkansas

Bachelor of Science Degree in Health Science / 1988
College of St. Frances, Little Rock, Arkansas

Associate Degree in Applied Science in Medical Laboratory Technology / 1982
Garland County Community College, Hot Springs, Arkansas

General Studies /1977
University of Central Arkansas

FLORIDA POWER & LIGHT COMPANY
ENERGY & DEMAND CLASSIFICATION OF CONSERVATION PROGRAMS

Energy Efficiency:

- Residential Home Energy Survey
- Residential Building Envelope
- Residential Duct System Testing & Repair
- Residential Air Conditioning
- Residential New Construction (BuildSmart)
- Residential Low Income Weatherization
- Business Energy Evaluation
- Business Efficient Lighting
- Business Heating, Ventilating & AC
- Business Custom Incentive
- Business Building Envelope
- Business Water Heating
- Business Refrigeration
- Business Photovoltaic for School Pilot
- Solar Pilot Projects Common Expenses
- Cogeneration & Small Power Production
- Conservation Research and Development

- Common Expenses (Energy)

Demand Side Management:

- Residential Load Management (On Call)
- Business On Call
- Commercial/Industrial Load Control
- Commercial Demand Reduction

- Common Expenses (Demand)

FLORIDA POWER & LIGHT COMPANY
ENERGY CONSERVATION COST RECOVERY
CONSERVATION PROGRAM COSTS

SCHEDULE C-2

ESTIMATED FOR THE PERIOD OF JANUARY 2015 THROUGH DECEMBER 2015

PROGRAM TITLE	Method of Classification		Monthly Data												
	Energy	Demand	January Estimated	February Estimated	March Estimated	April Estimated	May Estimated	June Estimated	July Estimated	August Estimated	September Estimated	October Estimated	November Estimated	December Estimated	Twelve Month Amount
1. Residential Home Energy Survey	$13,750,516	$0	$879,421	$871,982	$886,848	$888,456	$1,083,468	$1,064,318	$1,855,328	$1,508,333	$1,498,843	$1,423,987	$1,400,737	$1,403,908	$13,750,516
2. Residential Building Envelope	$2,128,6[illegible]	$0	$387,181	$217,712	$231,529	$228,910	$186,185	$262,087	$275,381	$349,254	$7,170	$4,820	$0	$0	$2,128,6[illegible]
3. Residential Duct System Testing & Repair	$377,851	$0	$84,648	$77,103	$71,738	$68,877	$47,830	$10,750	$19,702	$7,778	$1,960	$1,960	$0	$0	$377,851
4. Residential Air Conditioning	$15,365,633	$0	$5,755,313	$827,257	$860,528	$886,896	$906,112	$893,934	$888,930	$1,882,878	$1,014,885	$808,235	$575,406	$825,734	$15,365,633
5. Residential New Construction (BuildSmart®)	$371,482	$0	$59,252	$82,122	$83,860	$53,087	$47,865	$81,588	$52,337	$0	$0	$0	$0	$0	$371,482
6. Residential Low-Income Weatherization	$139,453	$0	$5,125	$19,812	$31,882	$8,815	$12,121	$10,383	$11,027	$10,783	$11,380	$10,187	$9,642	$8,786	$139,453
7. Residential Load Management ("On Call")	$0	$57,986,936	$3,974,112	$3,525,658	$4,355,825	$5,211,161	$6,646,250	$5,880,862	$5,881,565	$5,835,874	$5,888,878	$5,724,376	$3,547,845	$3,612,788	$57,986,936
8. Business Energy Evaluation	$8,357,565	$0	$851,089	$805,876	$545,309	$559,179	$843,961	$880,537	$889,697	$823,850	$826,406	$832,894	$798,358	$432,813	$8,357,565
9. Business Efficient Lighting	$321,598	$0	$46,744	$63,319	$38,483	$35,280	$28,588	$37,881	$27,765	$26,175	$8,160	$2,068	$0	$0	$321,598
10. Business Heating, Ventilating & A/C	$9,222,534	$0	$114,828	$580,483	$868,489	$508,218	$227,183	$324,807	$248,885	$1,389,328	$2,310,808	$81,132	$16,842	$17,895	$9,322,534
11. Business Custom Incentive	$578,941	$0	$10,424	$310,907	$74,273	$78,832	$48,585	$21,896	$21,781	$20,214	$0	$0	$0	$0	$578,941
12. Business Building Envelope	$5,438,887	$0	$430,313	$938,707	$851,651	$728,184	$537,101	$800,819	$472,478	$451,052	$12,318	$3,202	$0	$0	$5,438,887
13. Business Water Heating	$25,480	$0	$7,127	$5,508	$2,718	$3,283	$2,308	$2,332	$3,213	$2,830	$0	$0	$0	$0	$25,480
14. Business Refrigeration	$21,208	$0	$1,081	$4,228	$2,188	$29	$8,423	$1,582	$2,883	$2,082	$0	$0	$0	$0	$21,208
15. Business On Call	$0	$4,118,862	$65,283	$83,250	$48,845	$825,180	$808,881	$583,487	$588,241	$587,330	$550,841	$322,858	$99,287	$48,926	$4,118,862
16. Commercial/Industrial Load Control	$0	$40,566,363	$2,831,881	$2,823,809	$2,845,203	$3,378,312	$2,884,788	$5,151,822	$3,422,321	$2,803,430	$3,428,213	$2,837,869	$3,368,890	$4,612,978	$40,566,363
17. Commercial/Industrial Demand Reduction	$0	$19,280,863	$1,351,289	$1,349,431	$1,328,504	$1,468,884	$1,848,838	$1,747,884	$1,771,881	$1,837,063	$1,848,093	$1,880,308	$1,458,422	$1,483,888	$19,280,863
18. Business Photovoltaic for Schools Pilot	$1,950,969	$0	$187,758	$188,818	$165,875	$164,934	$163,893	$163,861	$162,110	$161,153	$180,226	$158,286	$159,346	$157,404	$1,950,969
19. Solar Pilot Projects Common Expenses	$409,426	$0	$35,285	$35,088	$34,837	$34,608	$34,329	$34,190	$33,881	$33,882	$33,463	$33,234	$33,005	$32,778	$409,426
20. Cogeneration & Small Power Production	$496,975	$0	$41,453	$36,288	$40,827	$41,842	$40,475	$44,187	$44,580	$38,280	$43,770	$43,088	$38,045	$44,424	$496,975
21. Conservation Research & Development	$462,719	$0	$58,808	$55,851	$37,158	$57,150	$11,085	$42,156	$12,710	$38,805	$32,158	$12,158	$31,808	$32,719	$462,719
22. Common Expenses	$5,588,092	$11,923,850	$1,818,282	$869,884	$1,183,024	$960,820	$4,676,846	$853,827	$837,878	$882,883	$3,506,971	$807,788	$781,346	$857,115	$17,504,042
23. Recoverable Conservation Expenses	$62,626,077	$133,823,882	$17,361,678	$13,286,189	$12,855,876	$15,735,288	$18,828,881	$18,888,782	$17,419,521	$18,241,837	$21,360,441	$15,807,948	$12,512,836	$14,058,542	$196,450,050

Note: Expenses include provision for projected severance.
Totals may not add due to rounding.

Walmart Stores East, LP and Sam's East, Inc.
Energy Efficiency and Demand Side
Management Programs of the Companies
Exhibit KEB-2, Page 2 of 8
Florida PSC Docket No. 140002-EG

DUKE ENERGY FLORIDA
ENERGY & DEMAND CLASSIFICATION OF CONSERVATION PROGRAMS

Energy Efficiency:

- Better Business
- Residential New Construct
- Home Energy Improvement
- C/I New Construction
- Home Energy Check
- Low Income
- Solar Water Heating with EM
- Renewable Energy Saver
- Neighborhood Energy Saver
- Business Energy Check
- Conservation Program Administration (Energy)
- Qualifying Facility
- Innovation Incentive
- Technology Development
- Residential Solar Photovoltaic
- Solar Water Heat Low Income Res Cust
- Commercial Solar Photovoltaic
- Photovoltaic for Schools Pilot
- Research and Demonstration

Demand Side Management:

- Conservation Program Administration (Demand)
- Standby Generation
- Interruptible Service
- Curtailable Service
- Res Energy Mangmt-Admin
- Com Energy Mangm-Admin

DUKE ENERGY FLORIDA
ESTIMATED CONSERVATION PROGRAM COSTS
JANUARY 2015 - DECEMBER 2015

DOCKET NO. 140002-EG
DUKE ENERGY FLORIDA
TIMOTHY J. DUFF
EXHIBIT NO. _____ (TJD-1P)
SCHEDULE C-2
PAGE 1 OF 8

LINE NO.	PROGRAM TITLE Demand (D) or Energy (E)	12 MONTH TOTAL
1	BETTER BUSINESS (20015937) (E)	$ 2,589,093
2	RESIDENTIAL NEW CONSTRUCT (20015933) (E)	$ 4,091,111
3	HOME ENERGY IMPROVEMENT (20015934) (E)	$ 4,685,944
4	C/I NEW CONSTRUCTION (20015938) (E)	$ 1,054,121
5	HOME ENERGY CHECK (20015932) (E)	$ 6,329,865
6	LOW INCOME (20021339) (E)	$ 270,814
7	SOLAR WATER HEATING WITH EM (20084920) (E)	$ -
8	RENEWABLE ENERGY SAVER (20060744) (E)	$ 0
9	NEIGHBORHOOD ENERGY SAVER (20060745)(E)	$ 1,150,571
10	BUSINESS ENERGY CHECK (20015936) (E)	$ 861,610
11	CONSERVATION PROGRAM ADMIN (20015835) (E)	$ 3,427,317
12	CONSERVATION PROGRAM ADMIN (20015835) (D)	$ 390,521
13	QUALIFYING FACILITY (20025082) (E)	$ 1,024,498
14	INNOVATION INCENTIVE (20015940) (E)	$ 306,894
15	TECHNOLOGY DEVELOPMENT (20015939) (E)	$ 800,377
16	STANDBY GENERATION (20021332) (D)	$ 5,969,087
17	INTERRUPTIBLE SERVICE (20015941) (D)	$ 30,993,402
18	CURTAILABLE SERVICE (20015942) (D)	$ 1,286,968
19	RES ENERGY MANGMNT-ADMIN (20015943) (D)	$ 41,748,546
20	COM ENERGY MANGMNT-ADMIN (20015944) (D)	$ 540,000
21	RESIDENTIAL SOLAR PHOTOVOLTAIC (20084915) (E)	$ -
22	SOLAR WATER HEAT LOW INCOME RES CUST (20084921) (E)	$ -
23	COMMERCIAL SOLAR PHOTOVOLTAIC (20084919) (E)	$ -
24	PHOTOVOLTAIC FOR SCHOOLS PILOT (20084917) (E)	$ -
25	RESEARCH AND DEMONSTRATION (20084922) (E)	$ -
26		
27	NET PROGRAM COSTS	$ 107,340,446
28		
29	SUMMARY OF DEMAND & ENERGY	
30		
31		12 Months Total
32		
33	ENERGY	$ 26,391,913
34		
35	DEMAND	80,948,534
36		
37	TOTAL	$ 107,340,446

Prior Period True-Up Under/(Over) Recovery	Total Costs with True - up	Revenue Expansion Factor	Total Costs To Recover
$ (6,786,965)	$ 19,605,948	1.000315	$ 19,612,123
(17,047,808)	53,800,728	1.000316	53,820,854
$ (23,833,773)	$ 89,506,673		$ 83,532,978

TAMPA ELECTRIC COMPANY
ENERGY & DEMAND CLASSIFICATION OF CONSERVATION PROGRAMS

Energy Efficiency:

- Heating and Cooling
- Energy Audits
- Commercial Lighting
- Residential Duct Repair
- DSM Research and Development (R & D)
- Commercial Cooling
- Residential New Construction
- Residential Building Envelope Improvement
- Residential Electronically Commutated Motor
- Energy Education Outreach
- Residential HVAC Re-Commissioning
- Neighborhood Weatherization and Agency Outreach
- Commercial Duct Repair
- Commercial Energy Recovery Ventilation
- Commercial Building Envelope Improvement
- Commercial Energy Efficient Motors
- Commercial Chiller Replacement
- Commercial Occupancy Sensors (Lighting)
- Commercial Water Heating
- Commercial HVAC Re-Commissioning
- Commercial Electronically Commutated Motor
- Commercial Cool Roof

Common Expenses (50% Energy)

Demand Side Management:

- Prime Time
- Cogeneration
- Commercial Load Management
- Standby Generator
- Renewable Energy Program
- Renewable Energy Systems Initiative
- Industrial Load Management
- Price Responsive Load Management
- Commercial Demand Response
- Commercial Refrigeration (Anti-Condensate)

Common Expenses (50% Demand)

C-2
Page 1 of 4

TAMPA ELECTRIC COMPANY
Conservation Program Costs

Estimated For Months January 2016 through December 2016

ESTIMATED

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
1 Heating and Cooling (E)	98,690	98,690	99,090	98,257	98,557	98,557	98,457	98,457	98,557	98,257	50,457	98,362	1,162,408
2 Prime Time (D)	300,600	280,209	280,209	270,316	280,454	250,331	241,369	231,369	222,272	211,583	200,877	190,758	2,950,274
3 Energy Audits (E)	203,098	218,952	238,440	190,613	180,282	201,767	2[illegible]0,677	317,931	231,357	227,598	172,330	213,759	2,672,804
4 Cogeneration (E)	16,007	16,007	16,007	16,007	13,322	13,322	16,007	16,007	16,007	16,007	13,322	16,007	184,820
5 Commercial Load Mgmt (D)	0	0	970	994	994	994	994	994	994	994	0	0	7,828
6 Commercial Lighting (E)	84,063	48,579	29,310	46,700	24,942	41,386	41,470	30,958	12,785	20,591	39,946	34,818	424,140
7 Standby Generator (D)	243,378	241,378	244,062	242,378	241,378	241,378	245,062	242,378	241,378	241,378	241,378	241,378	2,908,904
8 Conservation Value (E)	54,161	62,691	2,447	52,447	2,447	52,447	58,447	52,447	2,447	2,447	52,447	2,447	412,352
9 Duct Repair (E)	34,236	34,236	34,321	34,008	34,008	34,133	34,008	34,008	34,448	34,0[illegible]	34,033	34,133	409,605
10 Renewable Energy Initiative (E)	0	0	0	0	0	0	0	0	0	0	0	0	0
11 Renewable Energy Systems Initiative (E)	0	0	0	0	0	0	0	0	0	0	0	0	0
12 Industrial Load Management (D)	1,202,851	1,202,643	1,502,838	1,502,830	1,502,822	1,502,616	1,502,608	1,502,602	1,502,598	1,502,593	1,202,581	1,202,573	16,831,345
13 DSM R&D (D&E) (50% D, 50% E)	0	0	0	0	0	0	0	0	0	0	0	0	0
14 Commercial Cooling (E)	3,342	11,590	3,152	13,548	8,713	11,714	4,839	8,713	11,103	4,639	8,713	8,713	90,919
15 Residential New Construction (E)	157,928	157,926	157,[illegible]	157,849	157,166	157,405	157,166	158,132	158,282	158,132	157,849	157,799	1,[illegible]13,216
16 Common Expenses (D&E) (50% D, 50% E)	146,436	134,0[illegible]	128,508	130,833	126,922	130,475	125,258	126,390	125,902	125,622	127,975	125,665	1,553,717
17 Price Responsive Load Mgmt (D&E) (50% D, 50% E)	361,690	362,279	363,248	408,744	412,[illegible]	411,417	368,818	369,317	370,705	372,539	374,884	376,221	4,554,165
18 Residential Building Envelope Improvement (E)	205,063	205,083	205,888	204,827	204,812	204,739	204,3[illegible]	204,314	205,884	204,984	205,666	205,198	2,461,067
19 Residential Electronic Commutated Motors (E)	20	20	155	20	20	20	20	20	20	260	20	20	618
20 Energy Education Outreach (E)	11,022	11,749	12,285	12,2[illegible]	11,229	17,640	9,444	10,340	8,548	8,586	7,831	8,523	130,713
21 Residential Re-Commissioning (E)	2,219	2,219	2,219	1,976	1,976	1,976	1,976	2,219	2,219	2,219	1,976	1,976	25,170
22 Residential Low- Income Weatherization (E)	240,345	240,345	240,345	240,345	240,345	241,145	241,145	241,145	241,145	241,845	240,345	240,345	2,[illegible]8,840
23 Commercial Duct Repair (E)	34,814	21,628	23,948	21,797	4,959	11,244	11,411	43,105	21,797	15,412	9,294	8,695	219,474
24 Commercial Energy Recovery Ventilation (E)	1,7[illegible]	0	0	1,798	0	0	1,798	0	0	1,798	0	1,798	8,990
25 Commercial Building Envelope Improvement (E)	8,298	22,925	7,0[illegible]	9,074	7,635	7,600	24,587	22,476	18,380	23,6[illegible]	10,747	11,657	174,684
26 Commercial Energy Efficient Motors (E)	294	1	294	294	294	294	294	294	294	294	294	1	2,642
27 Commercial Demand Response (D)	302,784	302,784	302,784	302,784	302,784	302,784	302,784	302,784	302,784	302,784	302,784	302,784	3,633,408
28 Commercial Chiller Replacement (E)	1	3,787	1	7,[illegible]	72	7,594	4,094	4,082	2,226	3,655	7,645	2,226	43,224
29 Commercial Occupancy Sensors (Lighting) (E)	3,335	1,713	1,713	1,713	1,838	4,929	3,334	4,928	3,334	1,713	1,712	3,335	33,698
30 Commercial Refrigeration (Anti-Condensate) (E)	1,577	0	0	0	0	0	1,577	0	0	0	0	0	3,154
31 Commercial Water Heating (E)	0	0	0	0	0	663	0	0	0	0	0	0	663
32 Commercial HVAC Re-Commissioning (E)	9,113	8,613	8,613	8,613	8,613	8,613	8,613	8,613	8,613	8,613	8,613	8,613	103,856
33 Commercial Electronic Commutated Motors	0	426	426	426	426	426	426	426	426	426	426	278	4,538
34 Cool Roof (E)	23,281	11,[illegible]	11,698	34,[illegible]	23,281	23,281	34,663	11,698	23,281	87,428	88,810	81,145	405,527
35 Total All Programs	3,722,372	3,708,621	3,918,987	4,019,402	3,889,331	3,9[illegible]2,107	4,000,414	4,053,322	3,857,808	3,[illegible]1,518	3,5[illegible]3,090	3,580,543	46,224,822
36 Less: Included In Base Rates	0	0	0	0	0	0	0	0	0	0	0	0	0
37 Recoverable Conserv. Expenses	3,722,372	3,708,621	3,918,987	4,013,402	3,[illegible]331	3,[illegible]2,107	4,000,414	4,0[illegible]3,322	3,[illegible]7,808	3,[illegible]1,518	3,5[illegible]9,090	3,[illegible]0,543	46,224,822

Summary of Demand & Energy

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Energy	1,417,900	1,423,451	1,339,460	1,434,612	1,292,020	1,423,058	1,460,720	1,525,851	1,3[illegible]478	1,383,160	1,389,985	1,391,109	16,840,707
Demand	2,304,472	2,285,170	2,579,527	2,5[illegible]	2,577,311	2,5[illegible]049	2,5[illegible]	2,527,471	2,518,327	2,5[illegible]358	2,199,105	2,189,434	29,3[illegible]815
Total Recoverable Conserv. Expenses	3,722,372	3,708,621	3,918,[illegible]	4,013,402	[illegible]331	3,892,107	4,000,414	4,053,322	3,857,808	3,[illegible]1,518	3,589,070	3,570,543	46,224,522

Walmart Stores East, LP and Sam's East, Inc.
Energy Efficiency and Demand Side
Management Programs of the Companies
Exhibit KEB-2, Page 6 of 8
Florida PSC Docket No. 140002-EG

DOCKET NO. 140002-EG
ECCR 2016 PROJECTION
EXHIBIT MRR-1, SCHEDULE C-2, PAGE 1 OF 4

GULF POWER COMPANY
ENERGY & DEMAND CLASSIFICATION OF CONSERVATION PROGRAMS

Energy Efficiency:

- Residential Energy Audit and Education
- Community Energy Saver
- Landlord/Renter Custom
- HVAC Efficiency
- Heat Pump Water Heater
- Ceiling Insulation
- High Performance Window
- Reflective Pool
- Variable Speed Pool Pump
- Self-Install Energy Efficiency
- Refrigerator Recycling
- Commercial/Industrial Audit
- HVAC Retro commissioning
- Commercial Building Efficiency
- HVAC Occupancy Sensor
- High Efficiency Motors
- Food Services
- Commercial / Industrial Custom Incentive
- Conversation Demonstration and Development
- Energy Select / Energy Select LITE (Energy)

Demand Side Management:

- Energy Select / Energy Select LITE (Demand)

GULF POWER COMPANY
ENERGY CONSERVATION CLAUSE
PROJECTED CONSERVATION PROGRAM COSTS (NET OF PROGRAM FEES)
For the Period: January, 2015 Through December, 2015

Programs	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	12 MONTH TOTAL	DEMAND COSTS	ENERGY COSTS
Residential Conservation Programs:															
1. Residential Energy Audit and Education	188,286	320,297	200,827	275,872	237,212	225,705	195,384	221,883	277,877	198,487	197,225	188,343	2,737,028		2,737,028
2. Community Energy Saver	70,648	70,898	71,284	72,538	70,915	70,804	70,818	70,806	72,597	70,943	70,862	70,872	853,775		853,775
3. Landlord-Renter Custom	8,287	8,107	9,403	12,207	8,514	12,226	8,379	8,352	12,101	8,875	8,486	8,871	113,288		113,288
4. HVAC Efficiency	190,433	234,831	1,393,422	1,455,051	1,458,470	1,437,818	317,482	320,183	337,703	348,247	326,022	216,451	8,034,113		8,034,113
5. Heat Pump Water Heater	39,866	40,050	40,783	48,982	41,140	41,330	40,781	41,523	47,377	40,971	40,843	40,840	502,476		502,476
6. Ceiling Insulation	23,751	24,055	24,282	29,302	24,866	24,470	24,535	25,431	29,456	24,767	24,565	24,393	303,973		303,973
7. High Performance Window	23,293	23,504	23,942	23,987	24,437	24,091	24,183	24,885	29,193	24,283	24,136	23,997	298,880		298,880
8. Reflective Roof	20,670	20,837	31,283	35,921	31,515	31,287	31,233	31,979	35,941	31,873	21,414	21,374	345,007		345,007
9. Variable Speed Pool Pump	15,046	16,536	15,882	28,653	16,474	16,117	16,183	16,104	21,518	23,442	15,841	16,085	218,743		218,743
10. Energy *Select* / Energy *Select LITE*	544,868	505,839	572,333	584,607	522,774	639,801	520,108	522,580	602,293	538,117	528,729	851,507	8,515,354	3,257,677	5,257,677
11. Self-Install Energy Efficiency	35,808	19,406	30,523	42,586	35,764	57,418	68,235	68,151	63,588	41,448	57,316	57,252	583,195		583,195
12. Refrigerator Recycling	11,616	11,785	14,886	12,731	12,000	20,308	20,323	18,991	32,617	21,863	14,686	11,836	203,398		203,398
Subtotal	1,172,271	1,294,907	2,428,709	2,605,349	2,494,081	2,501,155	1,337,672	1,370,548	1,568,261	1,371,670	1,331,106	1,241,601	20,707,230	3,257,677	17,449,553
Commercial / Industrial Conservation Programs:															
13. Commercial / Industrial Audit	64,192	65,952	89,348	98,221	67,919	68,058	68,773	67,883	100,099	88,348	67,890	67,184	908,705		908,705
14. HVAC Retrocommissioning	13,841	16,336	21,573	24,401	28,323	28,840	28,248	26,247	26,865	28,312	21,326	11,465	287,179		287,179
15. Commercial Building Efficiency	86,574	86,480	88,899	113,801	89,792	103,614	88,900	88,077	112,871	91,211	89,782	89,202	1,128,903		1,128,903
16. HVAC Occupancy Sensor	3,126	2,753	2,961	3,982	2,878	2,896	3,204	2,803	3,869	3,290	2,885	2,904	37,230		37,230
17. High Efficiency Motors	2,710	2,242	21,282	3,624	2,383	21,230	2,801	2,297	22,092	2,901	2,330	21,248	107,140		107,140
18. Food Services	3,910	5,963	5,038	7,072	6,470	7,104	4,881	6,373	6,692	5,520	4,820	4,222	68,263		68,263
19. Commercial / Industrial Custom Incentive	5,030	5,074	17,874	7,595	5,343	17,820	6,847	5,228	20,318	6,406	5,302	17,873	118,106		118,106
Subtotal	179,373	184,802	246,963	258,645	201,108	246,962	193,054	198,955	292,305	219,985	194,175	214,168	2,635,526	0	2,635,526
20. Conservation Demonstration and Development:	20,099	20,425	20,754	22,186	21,398	20,468	20,583	20,583	22,196	21,437	20,705	19,166	250,000		250,000
21. Total All Programs	1,371,743	1,500,134	2,696,426	2,886,181	2,706,587	2,768,585	1,556,209	1,590,086	1,882,762	1,613,092	1,545,986	1,474,965	23,592,756	3,257,677	20,335,079
22. Less: Base Rate Recovery	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23. Net Program Costs	1,371,743	1,500,134	2,696,426	2,886,181	2,706,587	2,768,585	1,556,209	1,590,086	1,882,762	1,613,092	1,545,986	1,474,965	23,592,756	3,257,677	20,335,079

165:35-41-3. Definitions

The following words and terms, when used in this Subchapter, shall have the following meaning, unless the context clearly indicates otherwise:

"Average customer bill" means the value derived from the sum of all ratepayer bills in a particular customer sector divided by the number of ratepayers in that sector; i.e., the arithmetic mean. A utility may provide average customer bills for customer rate classes rather than customer sectors if it chooses to do so and clearly identifies the choice.

"Barrier" means any physical or non-physical necessity, obligation, condition, constraint, or requisite that obstructs or impedes electricity user participation in energy efficiency or demand response programs. Barriers may include but are not limited to language, physical or mental disability, educational attainment, utility meter type, economic status, property status, or geography.

"Base line" means kilowatt-hour energy use, trend in kilowatt-hour energy use, percentage of capacity use over time, trend in percentage of capacity use, and description of conditions affecting such uses and trends prior to implementation of an energy efficiency or demand response program designed to affect particular uses and trends.

"California Standard Practice Manual" means The California Standard Practice Manual: Economic Analysis of Demand Side Programs and Projects, 2001 edition, produced by the California Energy Commission and the California Public Utility Commission.

"Cost effective" and **"cost effectiveness"** mean utilizing a specified amount of money, in a way that delivers the most benefit from available alternative uses, so long as the benefit's value exceeds the money spent.

"Customized opportunity" means an energy efficiency or demand response program tailored to an individual electricity user's needs, including opportunities for high-volume electricity usage customers to self administer and self fund their own programs.

"Deemed savings" means an estimate of energy or peak demand savings for a single unit of an installed energy-efficiency or renewable-energy measure that (1) has been developed from data sources and analytical methods that are widely considered acceptable for the measure and purpose, and (2) will be applied to measures that are deployed in significant numbers in similar ways.

"Demand portfolio" means a collection of energy efficiency and demand response programs offered or proposed by an electric utility; for example, a residential weatherization program, a program to trade ordinary commercial fluorescent ballasts for T-5 ballasts, and a program to provide financial inducement for purchase of properly sized industrial motors is a demand portfolio.

"Demand portfolio administrator" means the utility employee responsible for supervising the utility's energy efficiency and demand response efforts as proposed in compliance with this subchapter.

"Demand response" means any load management program in which a utility offers electricity users payments or other inducement to reduce their demand for electricity for specified periods of time.

"Electricity user" means a real property freeholder or leaseholder at a specific location who consumes energy at that location, regardless of whether the consumer receives an energy bill directly from a utility.

"Energy efficiency" means reducing electricity consumption on the customer's side of the meter while achieving substantially the same level of end-use service.

"Evaluation, measurement, and verification" means a systematic, objective study conducted periodically to authenticate, assess, and report how well a program is achieving its objectives, including identification and quantification of inputs, outputs, outcomes, and unintended effects.

"Fuel switching" means changing from natural gas to electricity or from electricity to natural gas for a particular end-use service or installing electric heating devices in new construction where natural gas service is available or can be economically made available. It does not include installation of any device that relies primarily on on-site renewable energy, such as, but not limited to, a solar water heater, geothermal heat pump, or biomass gas-powered furnace.

"Goal" means a target to be achieved by a utility's demand portfolio. A goal may be expressed in kilowatts, kilowatt-hours, percentage reduction or limitation, years that anticipated construction of utility plant is delayed, and/or another quantifiable measurement approved by the Commission. When determining whether a goal is met, reductions or increases attributable to weather and economic activity will not be counted.

"Hard-to-reach customers" means:

(A) Residential electricity users who rent their residences from persons other than kin related to the third degree of affinity or consanguinity, trusts operated by and for the benefit of the users, or the users' legal guardians,

(B) Commercial electricity users who rent their business property from persons other than the users' owners, parent companies, subsidiaries of their parent companies, their own subsidiaries, or trusts operated by and for the benefit of the same;

(C) Residential or commercial electricity users who traditionally fail to engage in energy efficiency or demand response programs because of one or more severe barriers beyond those experienced by average residential or commercial customers in a utility's service area.

"High-volume electricity usage" means consumption by a single customer in Oklahoma of more than 15 million kWh of electricity per year, regardless of the number of meters or service locations.

"Incentive" means a sum of money a utility may be allowed to recover--in addition to program costs and lost net revenues--which sum is designed to reward the utility for successful and appropriate energy efficiency and demand response program performance.

"Inducement" means any thing of value offered by a utility to encourage an electricity user or trade ally to engage in an energy efficiency or demand response program approved pursuant to this subchapter.

"Lost net revenue" means income from the retail sale of electricity forgone by a utility directly resulting from the success of its demand portfolio, less expenses the utility was not required to pay by forgoing the sales.

"Low-income customer" means a residential electricity user who provides proof to a utility that the user has been determined by the appropriate authority to be eligible to receive services through the Oklahoma Department of Commerce Weatherization Assistance Program State Plan, as provided by OAC 150:80; Health Care Authority SoonerCare Choice or fee-for-service programs, as provided by OAC 317:25, 35, and 40; or Department of Human Services Temporary Assistance for Needy Families, State Supplemental Payment, Low Income Home Energy Assistance, Food Stamp, or Refugee Resettlement programs as provided by OAC 340:10, 15, 20, 50, and 60, respectively, or similar program.

"Market potential study" means an evaluation that assesses customer population base lines, customer needs, target customer populations, and how best to address these issues.

"Market transformation" means the strategic process of influencing customer population decision-making to create lasting change in customer behavior by removing barriers or exploiting opportunities to accelerate adoption of cost-effective energy efficiency as a matter of standard practice.

"Measure" means the equipment, materials, or actions that are installed or used within an energy efficiency or demand response program that result in measurable or verifiable savings; for example, a measure would include caulking around windows or weather stripping around doors to prevent heat loss.

"Peak demand" means a utility system's maximum annual customer-driven electricity requirement, measured in kilowatts.

"Peak shaving" means reducing demand for electricity during high-use hours.

"Program" means an organized set of activities or measures directed toward the common purpose of energy efficiency or demand response that a utility undertakes or proposes to undertake to reduce peak demand or future growth in energy or capacity demand; for example, a general offer to assist homeowners in weatherizing their homes is a program.

"Program cost" means the expenditures incurred by a utility to achieve capacity, energy, and peak demand savings through energy efficiency and demand response programs. Expenditures made by customers or third parties are not included. Programs costs must be reported in nominal dollars in the year in which they are incurred, regardless of when the savings occur. The utility's program costs are all labor, equipment, inducement, marketing, monitoring, measurement and evaluation, and other expenditures incurred by the utility for operation of the energy efficiency and demand response programs, regardless of whether the costs are expensed or capitalized.

"Program implementer" means the person who puts an energy efficiency program into practical effect.

"Research and development" means a planned activity aimed at discovering new knowledge with the hope of developing new or improved energy efficiency processes, products, or services and the translation of these research findings into a plan or design for new or improved energy efficiency processes, products, and services.

"Savings" means a reduction in the rate of growth of energy use, as measured in kilowatt-hours, or capacity addition, as measured in kilowatts, or peak demand, as measured in kilowatts.

"Standard offer" means an energy efficiency or demand response program available to a group of customers or customers generally on the same terms and without customization.

"Trade allies" means contractors, retailers, skilled laborers, service providers, and wholesale distributors who support energy efficiency programs through sale or installation of goods and services.

[Source: Added at 26 Ok Reg 1849, eff 6-25-09]

PUBLIC SERVICE COMPANY OF OKLAHOMA
P.O. BOX 201
TULSA, OKLAHOMA 74102-0201
PHONE: 1-888-216-3523
KIND OF SERVICE: ELECTRIC

SHEET NO. 85 - 1B
REPLACES SHEET NO. 85 - 1A
EFFECTIVE DATE: 04/01/13

SCHEDULE: DEMAND SIDE MANAGEMENT COST RECOVERY RIDER (DSM RIDER)

AVAILABILITY

DSM Rider is designed to recover costs associated with the Energy Efficiency and Demand-side Management programs (DSM Programs) as authorized in PUD 200900196, Order 572836.

This Rider is applicable to and becomes part of each OCC jurisdictional rate schedule. This Rider is applicable to energy consumption of retail customers and to facilities, premises and loads of such retail customers.

The DSM Factor shall be determined annually for each major rate class using the DSM Program projected costs for that year and any true-up amounts included from the previous year. The DSM Factor will be calculated in accordance with the following methodology and will be applied to each kWh sold.

METHOD OF CALCULATION FOR DSM RIDER

The DSM Factor is calculated annually for each major rate class. The formula for the DSM Factor is as follows:

DSM Factor = {[(Projected Program cost + DSM true-up for previous period) * Demand or Energy Allocator)]} / Class Annual kWhs.

Method of Calculation For DSM Rider:

PDSM = {[(PPCDR + TDSMDR) * DF]} + {[(PPCEE + TDSMEE) * DEF] + OPT OUT}, where:

PPCDR = Budgeted Demand Response Program Cost for the year associated with the DSM programs approved by the OCC.

PPCEE = Budgeted Energy Efficiency Program Cost for the year associated with the DSM programs approved by the OCC.

TDSMDR = Demand Response program true-up balance from the previous period where: TDSMDR = (APCDR – PPCDR) + (ALRDR – PLRDR) + (ASHDR – PSSDR) + (ADSMDR Revenues – PDSMDR)

Rates Authorized by the Oklahoma Corporation Commission

Effective	Order Number	Cause / Docket Number
November 15, 2012	604214	PUD 201200128
January 31, 2011	581748	PUD 201000050
March 3, 2010	572836	PUD 200900196
January 29, 2009	564437	PUD 200800144
August 1, 2008	555302	PUD 200700449

APPROVED
MAR 22 2013
DIRECTOR OF PUBLIC UTILITY

PUBLIC SERVICE COMPANY OF OKLAHOMA
P.O. BOX 201
TULSA, OKLAHOMA 74102-0201
PHONE: 1-888-216-3523
KIND OF SERVICE: ELECTRIC

SHEET NO. 85 - 2B
REPLACES SHEET NO. 85 - 2A
EFFECTIVE DATE: 04/01/13

SCHEDULE: DEMAND SIDE MANAGEMENT COST RECOVERY RIDER (DSM RIDER)

APCDR = (Actual Program costs)

ALRDR = (Actual Calculated Lost revenues) where:

ALRDR = Actual Lost Revenues as calculated by Demand Response program. The ALRDR is calculated as follows:

ALRDR = (ECR * CKWHDR)

ECR = Embedded cost per kWh by class; Embedded Cost per kWh is calculated by dividing the final revenue allocation by class, established in the most recent rate proceeding, by the total kWhs also established for use in that proceeding.

The ECR by classes for use in this tariff will be:

Participating Class	COS $/kWh
Residential	$ 0.028908
Small Commercial	$ 0.030609
Large Commercial & Industrial	$ 0.028221
Large Industrial	$ 0.013474

CKWHDR = Cumulative kWhs for saved for Demand Response programs.

The kWh savings used in the Lost Revenue calculation will accumulate until the final order in a new base rate case, at which time the cumulative kWhs will be zeroed out until the next calculation of the DSM Rider and new DSM programs are implemented.

ASHDR = (Actual Calculated Shared Savings)

Rates Authorized by the Oklahoma Corporation Commission

Effective	Order Number	Cause / Docket Number
November 15, 2012	604214	PUD 201200128
January 31, 2011	581748	PUD 201000050
March 3, 2010	572836	PUD 200900196
January 29, 2009	564437	PUD 200800144
August 1, 2008	555302	PUD 200700449

APPROVED
MAR 22 2013
DIRECTOR OF PUBLIC UTILITY

PUBLIC SERVICE COMPANY OF OKLAHOMA
P.O. BOX 201
TULSA, OKLAHOMA 74102-0201
PHONE: 1-888-216-3523
KIND OF SERVICE: ELECTRIC

SHEET NO. 85 - 3B
REPLACES SHEET NO. 85 - 3A
EFFECTIVE DATE: 04/01/13

SCHEDULE: DEMAND SIDE MANAGEMENT COST RECOVERY RIDER (DSM RIDER)

ASHDR = Actual shared saving as calculated, by customer classes, resulting from the implementation of the Demand Response Programs.
The ASHDR is calculated as follows:

ASHDR = Shared Benefit + Program Incentives where:

Shared Benefit = Net benefit * Sharing Percentage (SP) where:

Net Benefit = is a product of the Program Administrator Cost Test (PACT), also referred to as the Utility Cost Test (UCT), for the Demand Response Programs with measurable benefits.

PACT = Avoided capacity and energy costs – Equipment + Demand Response program Administration costs.

SP = 15% where:

Program Incentives = Program costs * sharing percentage (SP2)

Program costs = budgeted program costs for DSM period

SP2 = 15%

ADSMDR = (Total revenues collected from DSM Rider)

PDSMDR = (DSM Revenues projected to be recovered during previous period)

TDSMEE = Energy Efficiency program true-up balance from the previous period where:
TDSMEE = (APCEE – PPCEE) + (ALREE – PLREE) + (ASHEE – PSSEE) + (ADSMEE Revenues – PDSMEE)

APCEE = (Actual Program costs)

ALREE = (Actual Calculated Lost revenues)

Rates Authorized by the Oklahoma Corporation Commission

Effective	Order Number	Cause / Docket Number
November 15, 2012	604214	PUD 201200128
January 31, 2011	581748	PUD 201000050
March 3, 2010	572836	PUD 200900196
January 29, 2009	564437	PUD 200800144
August 1, 2008	555302	PUD 200700449

APPROVED
MAR 22 2013
DIRECTOR OF PUBLIC UTILITY

PUBLIC SERVICE COMPANY OF OKLAHOMA
P.O. BOX 201
TULSA, OKLAHOMA 74102-0201
PHONE: 1-888-216-3523
KIND OF SERVICE: ELECTRIC

SHEET NO. 85 - 4B
REPLACES SHEET NO. 85 - 4A
EFFECTIVE DATE: 04/01/13

SCHEDULE: DEMAND SIDE MANAGEMENT COST RECOVERY RIDER (DSM RIDER)

ALREE = Actual Lost Revenues as calculated by Energy Efficiency program. The ALREE is calculated as follows:

ALREE = (ECR * CKWHEE)

CKWHEE = Cumulative kW'hs saved for Energy Efficiency programs.

The kWh savings used in the Lost Revenue calculation will accumulate until the final order in a new base rate case, at which time the cumulative kWhs will be zeroed out until the next calculation of the DSM Rider and new DSM programs are implemented.

ASHEE = (Actual Calculated Shared Savings)

ASHEE = Actual shared saving as calculated, by customer classes, resulting from the implementation of the Energy Efficiency Programs.

The ASHEE is calculated as follows:

ASHEE = Shared Benefit + Program Incentives where:

Shared Benefit = Net benefit * Sharing Percentage (SP) where:

Net Benefit = is a product of the Program Administrator Cost Test (PACT), also referred to as the Utility Cost Test (UCT), for the Energy Efficiency Programs with measurable benefits.

PACT = Avoided capacity and energy costs – Equipment + Energy Efficiency program Administration costs.

SP = 15% where:

Program Incentives = Program costs * sharing percentage (SP2)

Program costs = budgeted program costs for DSM period

Rates Authorized by the Oklahoma Corporation Commission

Effective	Order Number	Cause / Docket Number
November 15, 2012	604214	PUD 201200128
January 31, 2011	581748	PUD 201000050
March 3, 2010	572836	PUD 200900196
January 29, 2009	564437	PUD 200800144
August 1, 2008	555302	PUD 200700449

APPROVED
MAR 22 2013
DIRECTOR OF PUBLIC UTILITY

PUBLIC SERVICE COMPANY OF OKLAHOMA
P.O. BOX 201
TULSA, OKLAHOMA 74102-0201
PHONE: 1-888-216-3523

SHEET NO. 85 - 5B
REPLACES SHEET NO. 85 - 5A
EFFECTIVE DATE: 04/01/13

KIND OF SERVICE: ELECTRIC

SCHEDULE: DEMAND SIDE MANAGEMENT COST RECOVERY RIDER (DSM RIDER)

SP2 = 15%

ADSMEE = (Total revenues collected from DSM Rider)

PDSMEE = (DSM Revenues projected to be recovered during previous period)

DF = Demand Allocation Factor for each major rate class (based upon allocators from Cause PUD 201000050) are as follows:

DF Allocator	Major Rate Class
48.69%	Residential - Secondary
32.14%	Commercial - Secondary
8.77%	SL3 – Primary
8.68%	SL2 – Primary Sub
1.72%	SL1 – Transmission

* Lighting included in the Commercial Secondary Rate Class

DEF = Demand/Energy Allocation Factor for each major rate class (based upon allocators from Cause PUD 201000050) are as follows:

DEF Allocator	Major Rate Class
42.72%	Residential - Secondary
32.13%	Commercial - Secondary
10.51%	SL3 – Primary
12.06%	SL2 – Primary Sub
2.57%	SL1 – Transmission

* Lighting included in the Commercial Secondary Rate Class

OPTIONAL PARTICIPATION ADJUSTMENT (OPT OUT):

The opt-out period for high-volume electricity users (a single customer using more than fifteen million kWh of electricity per year, regardless of the number of meters or service locations) will be for one month each year, beginning on December 1 and closing on December 31. Any high-volume electricity user may opt out of either all energy efficiency or all demand response programs, or both; and

APPROVED
MAR 22 2013
DIRECTOR OF PUBLIC UTILITY

PUBLIC SERVICE COMPANY OF OKLAHOMA
P.O. BOX 201
TULSA, OKLAHOMA 74102-0201
PHONE: 1-888-216-3523
KIND OF SERVICE: ELECTRIC

SHEET NO. 85 - 6B
REPLACES SHEET NO. 85 - 6A
EFFECTIVE DATE: 04/01/13

SCHEDULE: DEMAND SIDE MANAGEMENT COST RECOVERY RIDER (DSM RIDER)

they may opt out for the program year or for the entire program period. They must submit notice of such decision to the Director of the Public Utility Division and to PSO on or before December 31 of each year. After December 31, high-volume electricity users may no longer opt out or opt in until the next enrollment period.

Rates Authorized by the Oklahoma Corporation Commission

Effective	Order Number	Cause / Docket Number
November 15, 2012	604214	PUD 201200128
January 31, 2011	581748	PUD 201000050
March 3, 2010	572836	PUD 200900196
January 29, 2009	564437	PUD 200800144
August 1, 2008	555302	PUD 200700449

APPROVED
MAR 22 2013
DIRECTOR OF PUBLIC UTILITY

Supplemental Page

PUBLIC SERVICE COMPANY OF OKLAHOMA
Demand Side Management Cost Recovery Rider (DSM Rider)
Consumer Programs 2014

2014 PSO DSM Factors

Energy Programs

MAJOR RATE CLASS	DPCR Factor
Residential - Secondary	0.002324
Commercial/Industrial	0.003486

Demand Programs

MAJOR RATE CLASS	DPCR Factor
Residential - Secondary	0.000268
Commercial/Industrial	0.000310

Total Programs

MAJOR RATE CLASS	DPCR Factor
Residential - Secondary	0.002592
Commercial/Industrial	0.003796

The above factors will be applied to kWh sales on bills rendered beginning with the April 2014 Cycle 1 billing.

Public Service Commission of South Carolina
Tariff Summary Sheet as of January 27, 2014

Duke Energy Carolinas, LLC

Tariff Service: **EE - Energy Efficiency Rider**

This document is the complete version of the tariff on file and contains the following approved revisions. Detailed information is available for each revision on the Commission's E Tariff website (http://etariff.psc.sc.gov).

Revision	Date Filed	Effective Date	# of Pages
E2014-8	1/8/14	1/27/14	4
Summary: Filed in accordance with PSC Order 2013-889. Tariff Revised Pursuant to Order 2013-889			
E2012-495	11/27/12	1/9/13	3
Summary: Filed in accordance with PSC Order 2012-823. EE Rider to recover the cost of Save-A-Watt EE and DSM programs.			
E2012-100	5/1/12	5/3/12	3
Summary: Filed in accordance with PSC Order 2012-202. Corrected tariff pursuant to Order 2012-202			
E2012-94	4/12/12	4/13/12	3
Summary: Filed in accordance with PSC Order 2012-202. Purusant to Order 2012-202			
E2012-15	1/18/12	1/19/12	3
Summary: Filed in accordance with PSC Order 2012-17. Energy Efficiency Rider Adjustments applicable to residential and nonresidential rate schedules for the period January 1, 2011 through December 31, 2011.			
E2011-13	1/14/11	2/10/11	3
Summary: Filed in accordance with PSC Order 2010-853. Energy Efficiency Rider Adjustments applicable to the residential and nonresidential rate schedules for January 1, 2011, through December 31, 2011.			
E2010-242	9/2/10	2/1/10	3
Summary: Filed in accordance with PSC Order 2010-79. System Maintenance - Save initial tariff in revision history.			

Duke Energy Carolinas, LLC

Electricity No. 4
South Carolina Fifth Revised Leaf No. 62
Superseding South Carolina Fourth Revised Leaf No. 62

RIDER EE (SC)
ENERGY EFFICIENCY RIDER

APPLICABILITY (South Carolina Only)

Service supplied under the Company's rate schedules is subject to approved adjustments for new energy efficiency and demand- side management programs approved by the Public Service Commission of South Carolina (PSCSC). The Rider Adjustments are not included in the Rate Schedules of the Company and therefore, must be applied to the bill as calculated under the applicable rate. Cost recovery under Rider EE consists of two four-year term programs, years 2009 – 2013 and years 2014 – 2017 as outlined separately below. This rider applies to service supplied under all rate schedules for program years 2009 – 2013 but does not apply to Rate Schedules, OL, FL, PL, GL and NL for program years 2014 – 2017.

The Rider will recover the cost of Duke Energy Carolinas' Interruptible Service and Stand-By Generator programs ("Existing DSM Programs") based on the cost of bill credits and amounts paid to customers participating on these programs ("Program Costs"). Revenue requirements will be determined on a system basis and allocated to SC retail customer classes based on the class contribution to system peak demand.

I. PROGRAM YEARS 2009-2013 (Vintages 1-4)

GENERAL PROVISIONS

This Rider will recover the cost of Duke Energy Carolinas' Save-a-Watt ("SAW") energy efficiency and demand-side management programs, using the method approved by the PSCSC, for programs implemented over a 4 year period (*i.e.*, comprising four 12-month program years or "Vintage Years"). In each year this Rider will include components to recover revenue requirements related to demand-side management and energy efficiency programs implemented in that vintage, as well as lost revenues resulting from the energy efficiency programs. Lost revenues associated with each vintage will be recovered for 36 months upon implementation. As a result the Rider will continue beyond the 4 year period to fully recover lost revenues for programs in years 3 and 4.

Revenue requirements for SAW demand-side management programs will be determined on a system basis and allocated to South Carolina retail customers based on the class contribution to system retail peak demand. Revenue requirements for SAW energy efficiency programs will be determined on a system basis and allocated to all South Carolina retail customer classes based on SC retail contribution to system retail sales. Residential customers will pay for the allocated cost of residential programs; non-residential customers will pay for the allocated cost of non-residential programs.

Revenue requirements will be determined on a system basis and allocated to South Carolina retail customers based on the South Carolina retail contribution to system retail peak demand for demand side management programs and South Carolina retail contribution to system retail kWh sales for energy efficiency programs. Residential customer classes will pay for residential programs and non-residential customer classes will pay for non-residential programs through methods found appropriate by the Commission for demand-side management and energy efficiency programs, respectively. All allocation factors will be based on the Company's most recently completed cost of service study utilizing the allocation method approved by PSCSC in the Company's most recent general rate proceeding and will exclude the amounts related to customers that elect to opt out of this Rider.

TRUE-UP PROVISIONS

Rider amounts for SAW programs will initially be determined based on estimated kW and kWh impacts related to expected customer participation in the programs, and will be trued-up as actual customer participation and actual kW and kWh impacts are verified.

Participation true-ups: After the first year, the Rider will include a true-up of previous Rider amounts billed to reflect actual customer participation in the programs.

Measurement and verification true-up: EM&V activities and results will be included in a mid-term EM&V-based true-up process that will be reflected in Vintage Year 3 Rider EE collections. A final EM&V true-up reflected in Vintage Year 6 Rider EE collections will incorporate all EM&V studies completed since the mid-term EM&V true-up. EM&V results will include measure-level savings adjustments and net-to-gross analysis. In addition, the mid-term and final true-ups will incorporate the most recent EM&V results in the avoided cost true-up, the lost revenue true-up, and the earnings cap true-up.

Duke Energy Carolinas, LLC

Electricity No. 4
South Carolina Fifth Revised Leaf No. 62
Superseding South Carolina Fourth Revised Leaf No. 62

RIDER EE (SC)
ENERGY EFFICIENCY RIDER

Earnings cap true-up: In the sixth year a true up will be billed, if applicable, to refund amounts collected through the Rider in excess of the earnings cap, in accordance with the following levels of achievement and allowed return on investment.

Percentage Actual Target Achievement	Return on Investment Cap on Program Costs Percentage
>=90%	15%
80% to 89%	12%
60% to 79%	9%
< 60%	5%

DETERMINATION OF ENERGY EFFICIENCY RIDER ADJUSTMENT
Energy Efficiency Adjustments (EEA) will be applied to the energy (kilowatt hours) billed of all rate schedules for each vintage as determined by the following formula:

EEA Residential (expressed as cents per kWh) = SAW Residential Adjustment + Existing DSM Residential Adjustment

SAW Residential Adjustment = Residential Avoided Cost Revenue Requirement + Residential Lost Revenues / Forecasted Residential kWh Sales for the Rider billing period

Where

Residential Avoided Cost Revenue Requirement = (Residential Demand Side Management Program Avoided Cost Revenue Requirement X 75%) + (Residential Energy Efficiency Program Avoided Cost Revenue Requirement X 55%)

And

Existing DSM Residential Adjustment = Non-SAW Residential Program Costs / Forecasted Residential kWh Sales for the Rider billing period

EEA Non-residential (expressed as cents per kWh) = SAW Non-residential Adjustment + Existing DSM Non-residential Adjustment

SAW Non-residential Adjustment = Non-residential Avoided Cost Revenue Requirement + Non-residential Lost Revenues / Forecasted Non-residential kWh Sales (excluding opt out sales) for the Rider billing period

Where

Non-residential Avoided Cost Revenue Requirement = (Non-residential Demand Side Management Program Avoided Cost Revenue Requirement X 75%) + (Non-residential Energy Efficiency Program Avoided Cost Revenue Requirement X 55%)

And

Existing DSM Non-residential Adjustment = Non-SAW Non-residential Program Costs / Forecasted Non-residential kWh Sales (excluding opt out sales) for the Rider billing period

II. PROGRAM YEARS 2014-2017 (Vintages 2014-2017)

GENERAL PROVISIONS
This Rider will recover the cost of new energy efficiency and demand-side management programs, using the method approved by the PSCSC, for programs implemented over a four-year period (*i.e.*, comprising four 12-month program years or "Vintage Years").

TRUE-UP PROVISIONS
Rider amounts will initially be determined based on estimated kW and kWh impacts related to expected customer participation in the programs, and will be trued-up on an annual basis as actual customer participation and actual kW and kWh impacts are verified. The true-up will reflect actual participation and EM&V results for the most recently completed vintage. If a customer participates in any vintage of programs, the customer is subject to the true-ups for any vintage of programs in which the customer participated.

Duke Energy Carolinas, LLC

Electricity No. 4
South Carolina Fifth Revised Leaf No. 62
Superseding South Carolina Fourth Revised Leaf No. 62

RIDER EE (SC)
ENERGY EFFICIENCY RIDER

RIDER EE OPT OUT PROVISION FOR QUALIFYING NON-RESIDENTIAL CUSTOMERS

The Rider EE increment applicable to energy efficiency programs and/or demand-side management programs will not be applied to the energy charge of the applicable rate schedule for Customers qualified to opt out of the programs where:

a. The Customer has notified the Company in writing that it elects to opt out and that the opt-out customer has implemented its own energy management system or has performed or had performed for it an energy audit or analysis within the three year period preceding the opt out request and has implemented or has plans for implementing the cost-effective energy efficiency measures recommended in that audit or analysis; and
b. Electric service to the Customer must be provided under:
    1. An electric service agreement where the establishment is classified as a "manufacturing industry" by the Standard Industrial Classification Manual published by the United States Government and where more than 50% of the electric energy consumption of such establishment is used for its manufacturing processes; or
    2. An electric service agreement for general service as provided for under the Company's rate schedules where the Customer's annual energy use is 1,000,000 kilowatt hours or greater in the billing months of the prior calendar year. Additionally, all other agreements billed to the same entity with lesser annual usage located on the same or contiguous properties are also eligible to opt out.

For Customers who elect to opt out of Energy Efficiency Programs, the following provisions also apply:

- Qualifying customers may opt out of the Company's energy efficiency programs each calendar year only during the designated annual two month enrollment period. For the Rider EE 2014 Program Year, the enrollment period begins November 1, 2013 and ends December 31, 2013.
- Customers may not opt out of individual energy efficiency programs offered by the Company. The choice to opt out applies to the Company's entire portfolio of energy efficiency programs.
- If a customer participates in any vintage of energy efficiency programs, the customer, irrespective of future opt-out decisions, remains obligated to pay the remaining portion of the lost revenues for each vintage of efficiency programs in which the customer participated.
- Customers who elect to opt out during the two-month annual enrollment period immediately prior to the new Rider EE becoming effective may elect to opt in to the Company's energy efficiency program during the first 5 business days of March each calendar year. Customers making this election will be back-billed to the effective date of the new Rider EE.

For Customers who elect to opt out of Demand Side Management Programs, the following provisions also apply:

- Qualifying customers may opt out of the Company's demand-side management program during the enrollment period between November 1, and December 31 immediately prior to a new Rider EE becoming effective on January 1 of the applicable year. (Qualifying new customers have sixty days after beginning service to opt out).
- If a customer elects to participate in a demand-side management program, the customer may not subsequently choose to opt out of demand side management programs for three years.
- Customers who elect to opt out during the two-month annual enrollment period immediately prior to the new Rider EE becoming effective may elect to opt in to the Company's demand-side management program during the first 5 business days of March each calendar year. Customers making this election will be back-billed to the effective date of the new Rider EE.

Any qualifying non-residential customer that has not participated in an energy efficiency or demand-side management program may opt out during any enrollment period, and have no further responsibility to pay Rider EE amounts associated with the Customer's opt out election for energy efficiency and/or demand-side management programs.

Duke Energy Carolinas, LLC

Electricity No. 4
South Carolina Fifth Revised Leaf No. 62
Superseding South Carolina Fourth Revised Leaf No. 62

RIDER EE (SC)
ENERGY EFFICIENCY RIDER

ENERGY EFFICIENCY RIDER ADJUSTMENTS (EEA) FOR ALL PROGRAM YEARS
The Rider EE amounts applicable to the residential and nonresidential rate schedules for the period January 1, 2014 through December 31, 2014 including revenue-related taxes and utility assessments are as follows:

Residential	Vintage 1, 2, 3,4	0.1801¢ per kWh
	Vintage 2014	0.2387¢ per kWh
	Total Residential	**0.4188¢ per kWh**

Nonresidential	Energy Efficiency	Demand Side Management
Vintage 1	0.0030¢ per kWh	NA
Vintage 2	(0.0033)¢ per kWh	NA
Vintage 3	0.0974¢ per kWh	0.0140 ¢ per kWh
Vintage 4	0.0153¢ per kWh	NA
2014 Vintage*	0.0827¢ per kWh	0.0743 ¢ per kWh
Total Vintage 1, 2, 3,4,2014	0.1951¢ per kWh	0.0883¢ per kWh
Total Nonresidential	**0.2834¢ per kWh**	

*Not Applicable to Rate Schedules OL, FL, PL, GL, and NL

Each factor listed under Nonresidential is applicable to nonresidential customers who are not eligible to opt out and to eligible customers who have not opted out. If a nonresidential customer has opted out of a Vintage(s), then the applicable energy efficiency and/or demand-side management charge(s) shown above for the Vintage(s) during which the customer has opted out, will not apply to the bill.

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2008-251-E - ORDER NO. 2009-373

JUNE 26, 2009

IN RE:	Application of Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. for the Establishment of Procedures for DSM/EE Programs	))))	ORDER APPROVING DSM/EE APPLICATION

Pursuant to S.C. Code Ann. § 58-37-20 (Supp. 2008) and S.C. Code Ann. Regs. 103-819, 103-820 and 103-823 (Supp. 2008), this proceeding before the Public Service Commission of South Carolina ("Commission") concerns the Application of Carolina Power & Light Company, d/b/a Progress Energy Carolinas, Inc. ("PEC" or the "Company") to establish procedures that encourage PEC to invest in cost effective energy efficient technologies and energy conservation programs. In their application, PEC also requests the Commission approve the establishment of an annual rider to allow recovery of all costs associated with such programs and the recovery of an appropriate incentive for investing in such programs.[1] Notice of this matter was published by PEC in newspapers of general circulation in the areas affected by its request to inform interested parties of the manner and time in which to file the appropriate pleadings to participate.

Intervenors in the proceeding included Southern Environmental Law Center, Coastal Conservation League, Natural Resources Defense Council, and the Southern

[1] Commission Order 2009-435 addresses PEC's requested Rider DSM/EE-1 allowing for the recovery of the costs associated its Demand Side Management and Energy Efficiency programs.

Alliance for Clean Energy (collectively "Environmental Intervenors") as well as Nucor Steel – South Carolina, a Division of Nucor Corporation ("Nucor"), and Wal-Mart Stores East, LP ("Wal-Mart"). The South Carolina Office of Regulatory Staff ("ORS") was a party pursuant to S.C. Code Ann. § 58-4-10 (Supp. 2008). On January 23, 2009, PEC, Nucor, Wal-Mart, and ORS ("Stipulating Parties") filed a Stipulation Agreement resolving their issues. The Stipulation Agreement included a Demand Side Management ("DSM") and Energy Efficiency ("EE") (collectively "DSM/EE") cost recovery mechanism and procedure (the "DSM/EE Procedure") that addressed the recovery of PEC's DSM/EE costs, the recovery of net lost revenues, a performance incentive to encourage PEC to aggressively pursue DSM/EE programs, and the filing procedures and requirements for establishment of a rider to allow recovery of PEC's DSM/EE program costs. However, the Environmental Intervenors remained opposed to the DSM/EE proposal. An evidentiary hearing was held on February 12, 2009.

At the hearing, PEC was represented by Len S. Anthony, Esquire, and presented the testimony of B. Mitchell Williams, Manager of Regulatory Affairs, as well as Laura Bateman, Manager of Regulatory Planning. The Environmental Intervenors were represented by Christopher K. DeScherer, Esquire, and Sarah Rispin, Esquire, and presented the testimony of J. Richard Hornby, a consultant with Synapse Energy Economics, Inc., as well as Brian M. Henderson, an independent energy consultant. Wal-Mart was represented by Thomas L Moses, Esquire, and Holly Rachel Smith, Esquire, and presented the testimony of Steve W. Chriss, Manager of State Rate Proceedings. Nucor Steel – South Carolina was represented by Michael Lavanga, Esquire, and Robert

R. Smith, Esquire, but presented no testimony. ORS was represented by Jeff Nelson, Esquire, and Shealy Boland Reibold, Esquire, but also presented no testimony.

Contemporaneous with its South Carolina proceeding, PEC witness Williams testified that the Company was involved in a Demand Side Management/Energy Efficiency cost recovery proceeding in North Carolina. Williams also stated that following the filing of PEC's June 27, 2008 Application with this Commission, it entered into simultaneous and parallel negotiations with the North Carolina Utilities Commission Public Staff and Wal-Mart in North Carolina as well as ORS, Nucor, and Wal-Mart in South Carolina to mutually agree on an appropriate DSM/EE cost recovery mechanism. Tr. 36. Additionally, PEC reached agreement with the North Carolina Public Staff and Wal-Mart prior to the hearing in the South Carolina docket and, therefore, revised its proposed DSM/EE cost recovery procedure in this proceeding to be consistent with the settlement reached in North Carolina. *Id.*

These revisions were explained in Williams' January 8, 2009 prefiled testimony and detailed in the exhibit attached to this filing. During the hearing, Williams testified that PEC's January 14, 2009 filing, titled "Procedure and Mechanism for Recovery of Costs and Incentives for Demand-Side Management and Energy Efficiency Programs" clarified and combined into a single document PEC's Application, as revised, to be consistent with the North Carolina settlement. Thereafter, ORS, Wal-Mart, Nucor, and PEC reached an agreement on the South Carolina DSM/EE Procedure that closely reflects PEC's January 14, 2009 filing. The agreed upon DSM/EE Procedure and Stipulation Agreement were filed with this Commission on January 23, 2009.

BASIS FOR PEC'S APPLICATION

According to Williams, Tr. 10-130, PEC requests the establishment of its proposed DSM/EE Procedure because the electric industry is going through a transformation. He explained that traditionally an electric utility's duty was to provide a reliable supply of electricity to its customers at the lowest reasonable price, leaving use of that electricity solely to the discretion of the individual consumer. Primarily, attempts to influence the consumption of energy have been limited to the use of price signals, such as those employed by PEC in its time-of-use and curtailable rate schedules, where the Company provides a credit in exchange for its ability to interrupt power supplies during times of peak demand. He further explained that since South Carolina has relatively low electric rates, customers typically may not see DSM/EE programs as economically beneficial which may result in low participation and could cause few DSM/EE programs to be cost-effective.

However, Williams testified that while South Carolina continues to enjoy some of the lowest electricity rates in the nation, the cost of coal and natural gas has increased precipitously over the past few years, resulting in increases in electricity rates. Moreover, South Carolina's electric utilities have "grown into" the base load generation facilities constructed over the last two decades and all of South Carolina's electric providers are in the position of having to add a substantial amount of base load generation during the next ten (10) years. The cost of this new base load generation is forecasted to be substantially greater than the average cost of the utilities' existing generation mix.

As a result, Williams explained that DSM/EE programs are expected to become more cost-effective and therefore much more prevalent and expansive than has historically been the case. According to PEC, while these programs may be cost effective from the customers' perspective, it must be recognized that DSM/EE Programs are designed to encourage customers to reduce their consumption of the utility's electricity. This case is especially true for EE Programs. In other words, through these programs and measures, utilities are spending money to encourage their customers not to buy their product. Williams emphasized that this fact is completely inconsistent with any normal business plan and the resulting reduction in energy sales causes a loss of revenue which imperils the utility's ability to recover its costs. To properly compensate and encourage PEC to invest in and promote such programs, Williams stated that it is appropriate to provide PEC with timely cost recovery of all DSM/EE costs incurred, a mechanism to recover net lost revenues, and an appropriate incentive for promoting such programs. Tr. 37.

The Commission agrees with PEC witness Williams and finds that South Carolina's utilities should aggressively pursue and implement cost effective DSM/EE programs for the benefit of their customers.

Williams further explained that the DSM/EE Procedure agreed to by PEC, ORS, Nucor, and Wal-Mart, specifically the program cost recovery, recovery of net lost revenues, and an incentive/reward element, is consistent with S.C. Code Ann. § 58-37-20 (Supp. 2008). The Commission recognizes that this statute authorizes the adoption of procedures that encourage electric utilities to invest in cost effective energy efficient

technologies and energy conservation programs. Furthermore, we also recognize the statute provides that if the Commission chooses to adopt such procedures these procedures must:

1. Provide incentives and cost recovery for electric utilities that invest in energy supply and end-use technologies that are cost effective, environmentally acceptable, and reduce energy consumption or demand;
2. Allow electric utilities to recover their costs and obtain a reasonable rate of return on their investment in qualified demand-side management programs sufficient to make these programs at least as financially attractive as construction of new generating facilities; and
3. Establish rates and charges that ensure that the net income of an electric utility after implementation of specific cost effective energy conservation measures is at least as high as the utility's net income would have been if the energy conservation measures had not been implemented.

S.C. Code Ann. Section 58-37-20 (Supp. 2008)

ELEMENTS OF THE PROPOSED DSM/EE PROCEDURE

The DSM/EE Procedure consists of an annual rider to allow PEC to recover the following costs and incentives: (1) the actual costs incurred in providing the DSM/EE programs (including a return on PEC's investment)[2]; (2) the recovery of net lost revenues

[2] DSM/EE expenses will be deferred and amortized over a ten (10) year period using a levelized rate. The unamortized balance will earn a return equal to PEC's rate of return authorized in its last general rate case. DSM/EE capital expenditures will be depreciated over the useful life of the equipment with a return based upon PEC's current capital structure, current embedded cost of debt, and cost of equity as determined in PEC's last general rate case.

resulting from these programs[3]; and (3) an incentive equal to 8% of the net present value of the net benefits associated with each DSM program as calculated using the Utility Cost Test, and 13% of the net present value of the net benefits associated with each EE program as calculated using the Utility Cost Test. Tr. 39-40.

Williams explained in detail how these three elements of the DSM/EE Procedure are authorized by and consistent with S.C. Code Ann. § 58-37-20. Tr. 38-40. He testified that the statute requires a utility be allowed to recover its costs and obtain a reasonable rate of return on its investment. The DSM/EE Procedure does that in allowing PEC to recover all of its costs incurred in offering a DSM/EE program, including a return on any capital expenditures made in furtherance of such programs.

Regarding the second element of the DSM/EE Procedure (the recovery of net lost revenues), the statute provides that the Commission is to establish rates that ensure that the net income of the utility after implementation of DSM/EE programs is at least as high as the net income would have been if the DSM/EE programs had not been offered. By allowing PEC to recover its net lost revenues, this requirement of the statute is met.

Finally, regarding the third element of the DSM/EE Procedure, the recovery of an incentive/reward, the statute provides that the rate established by the Commission must be sufficient to make the utility's DSM/EE programs at least as financially attractive as construction of new generation facilities. By definition, investments in supply-side

[3] For purposes of this Docket, the parties have stipulated that the term "net lost revenues" means the revenue losses, net of marginal cost avoided at the time of the lost kilowatt-hour sales or in the case of purchased power, in the applicable billing period, incurred by PEC as a result of a new DSM/EE program. Net lost revenues are also net of any increases in revenues resulting from activity by PEC's public utility operations that cause a customer to increase demand or energy consumption. PEC will be allowed to recover net lost revenues for three years from the installation of a measure as part of a DSM/EE program, or until PEC's next general rate case when any lost revenues are addressed, whichever time period is shorter.

generating facilities are much more capital intensive than demand-side resources and therefore have the potential to produce higher earnings for the utility. Allowing PEC to recover 8% for DSM programs and 13% for EE programs of the net present value of the net benefits associated with such programs as calculated using the utility cost test appears to be a reasonable incentive/reward under S.C. Code Ann. § 58-37-20 for implementing DSM and EE programs, fairly balancing the interests of the utility, consumers, and the public interest.

We find that the DSM/EE Procedure proposed by the Company is entirely consistent with S.C. Code Ann. § 58-37-20 and is a transparent and easily understood cost recovery procedure.

TREATMENT OF INDUSTRIAL AND LARGE COMMERCIAL CUSTOMERS

Witness Williams explained that all customer classes are not addressed in the same manner under the DSM/EE Procedure. Tr. 40-41. This distinction between customer classes results because substantial differences exist between small customers and large customers in their awareness of the benefits of DSM/EE programs and their willingness and ability to develop and implement them on their own. Large commercial customers (defined as customers that consume at least a million kilowatt-hours per year) and industrial customers are typically very conscious of their energy costs and already have a substantial incentive to invest in DSM/EE programs tailored to each individual customer's unique facilities and production processes, since it is cost effective for them to do so. These customers are better positioned than anyone else to make the decision on

whether a particular DSM or EE program would be suitably cost effective and operationally effective for their plants and facilities. Tr. 41.

Given that the incentive and opportunity already exists for large commercial and industrial customers to invest in DSM/EE programs even without the proposed DSM/EE Procedure, these customers should be able to opt out upon notification to PEC and not be required to contribute to the cost of the programs being provided to those customers who have not made such investments and are being provided incentives to do so by PEC. Additionally, requiring large commercial and industrial customers to fund PEC's DSM/EE programs could be anticompetitive where a customer that already has its own programs is being required to pay for PEC programs that are or might be used by its competitors. Moreover, large customers are simply not in a position to bear additional costs for EE and DSM programs that do not apply to them. The outcome of imposing such costs on these types of customers, while many other states do not, could result in a negative impact on business retention and economic development in South Carolina. We recognize that these concerns are particularly acute today, when large commercial and industrial customers are facing difficult economic conditions and competitive pressures.

The customers most likely to participate in and directly benefit from utility-sponsored DSM/EE programs are the residential and small commercial segments, and PEC's programs will target these customer segments. By participating in Progress's DSM/EE programs, these customers will receive the direct and tangible benefits of lower energy costs. It is appropriate that the customer segments which benefit also have responsibility for the cost of the programs, and those larger customers most likely to

finance and install energy efficiency improvements on their own should not be required to pay for utility-sponsored programs not directly benefitting them.

Therefore, the DSM/EE Procedure does not provide for any of the costs of new DSM/EE programs to be assigned to large commercial or industrial customers who opt out by notifying PEC that the customer has implemented or will implement alternative DSM/EE programs at its own expense and does not wish to participate in PEC's DSM/EE programs. However, any large commercial or industrial customer that elects not to participate in PEC's DSM/EE programs, but subsequently elects to participate in any new DSM/EE program, will lose the right to be exempt from payment of the annual rider for five (5) years or the life of the program, whichever is longer.[4]

Wal-Mart witness Chriss confirmed that large customers such as Wal-Mart constantly search for and implement those DSM/EE programs that are cost effective for their business operations. Tr. 321-325. Chriss gave numerous examples of actions taken by Wal-Mart to lower its energy costs. Tr. 322-323. In addition, Witness Williams testified that Nucor, a steel recycler and PEC's largest customer, has been served for many years under a time-of-use curtailable rate. Tr. 49. Williams further testified that Nucor's rate already provides peak demand reduction benefits of the type PEC hopes to achieve through the proposed DSM/EE Procedure. *Id.*

The Commission agrees and finds that large commercial customers and industrial customers should be allowed to opt-out of PEC's DSM/EE programs as provided for under the DSM/EE Procedure. Based on the evidence in this proceeding, these customers

[4] Life of the program means either the capitalization period over which PEC will amortize or depreciate the costs associated with the program or the anticipated period for the program to reach maximum penetration.

have a strong incentive to implement DSM/EE measures regardless of the proposed DSM/EE Procedure, and it is unreasonable to require such customers to pay for PEC's programs, unless they specifically choose to participate. By making it easy for such customers who are not interested in participating to opt-out, the opt-out procedure will support business retention and economic development, and will be easier for PEC to administer. Further, no party opposed the opt-out option and no party presented any evidence that the opt-out mechanism provided for in the DSM/EE Procedure is unreasonable.

Finally, under the DSM/EE Procedure, the costs associated with new DSM/EE programs will be allocated between PEC's North and South Carolina retail jurisdictions, with DSM related costs allocated based on a one-hour coincident peak demand and EE related costs allocated based on energy sales. The DSM/EE Procedure also provides that each EE or DSM program's cost will be allocated to and recovered from those South Carolina retail rate classes eligible to participate in each program. This methodology is reasonable for the allocation and recovery of such costs.

ENVIRONMENTAL INTERVENORS' ALLEGATIONS

The Environmental Intervenors' witnesses Henderson, Tr. 263-288, and Hornby, Tr. 185-225, questioned the DSM/EE Procedure in several ways. Witness Henderson recommended the Commission condition its approval of PEC's proposal by focusing its efforts on EE programs rather than DSM programs. Tr. 285. Henderson also recommended creating an advisory group to determine which DSM/EE programs PEC should offer its customers. In addition, Witness Hornby stated that: (1) PEC had not

proven whether the cost-recovery mechanism contained in the DSM/EE Procedure will produce just and reasonable rates because PEC had not provided actual forecasted DSM/EE costs for use in determining the level of rates; (2) PEC had not proven that receiving a return on PEC's DSM/EE costs and an incentive based upon net savings was reasonable; (3) PEC had not proven that the recovery of net lost revenues is the best method to address the lost sales impact of DSM/EE programs; and (4) the Procedure should include portfolio performance targets. Tr. 214-217. However, on cross-examination Henderson and Hornby seemed to agree that PEC had addressed all of their points and concerns. Tr. 228-255, 291-303.

Regarding Henderson's recommendation that PEC be required to favor EE programs over DSM programs, PEC witness Williams explained that S.C. Code Ann. §§ 58-37-10 et seq. (Supp. 2008) requires South Carolina's electric suppliers to develop 15-year integrated resource plans which must contain the utility's plan "for meeting the requirements shown in its forecast in an economic and reliable manner, including both demand-side and supply-side options." "Demand-side" is defined as including both demand-side resources and energy efficiency. Thus, Williams concluded and the Commission agrees that the South Carolina General Assembly has determined the State's electric utilities are to consider equally and implement both DSM and EE programs as an integral part of their resource mix. Both DSM and EE programs have a strong role to play in a utility meeting their resource needs in a cost effective manner. As further addressed below, Williams also explained that the actual mix of DSM and EE resources a utility should offer depends on its resource needs, customer mix, climate, and rates. On

cross-examination, Henderson agreed that all of these factors must be considered. Tr. 292-294.

Turning to witness Henderson's recommendation that PEC use a comprehensive DSM/EE program development strategy, PEC Witness Williams explained that PEC has done and will continue to do just that. Tr. 41-42. He testified that in 2007, PEC announced a commitment to defer 1,000 MW of power generation requirements over the next ten years through DSM and EE programs. This commitment is part of PEC's long-term, balanced energy strategy to meet the future energy needs of its customers in the Carolinas. PEC has developed several cost-effective programs to help achieve the 1,000 MW reduction in peak demand and associated energy savings. PEC has assembled a staff which is responsible solely for PEC's DSM/EE activities and which reports to the Vice President, Efficiency and Innovative Technology. Witness Williams explained that PEC has contacted other utilities and used well known and respected consulting firms to identify the best programs and practices nation-wide and adapt them to the realities in the Carolinas. Witness Williams stated that these DSM/EE experts are some of the same ones that helped design DSM/EE programs in several of the states witness Henderson recommended South Carolina emulate.

Witness Williams testified that Witness Henderson's references to and reliance on what other states have done with regard to DSM/EE is misplaced. Tr. 42-43. Williams explained that when evaluating what other states have done the Commission should take into account differences in a utility's resource needs, rates, and customer mix. The proper mix of DSM/EE programs is driven by the resource needs of the utility, the

economic and market potential for various measures, and the utilities' rates and avoided costs. Tr. 42. Williams further explained that in states like California, where average electric rates are 78% higher than in South Carolina, or New York with average rates more than double the rates in South Carolina (212%), and commensurately high avoided costs, customers already have a strong incentive to seek out and implement DSM and EE measures, even in the absence of utility sponsored programs. *Id.* In addition, such high rates and avoided costs cause many more programs and measures to be cost effective than is the case in South Carolina, which has average rates 21% below the national average. *Id.*

Witness Williams stated that the utility's mix of customers must also be considered when designing and selecting DSM/EE programs. *Id.* For a utility with a large portion of its load comprised of industrial customers and large commercial customers, its DSM/EE efforts will be materially different from a utility with predominately small commercial and residential load. *Id.* As explained earlier, large commercial customers, such as Wal-Mart, and industrial customers are constantly evaluating and making investments in energy efficiency on their own in order to minimize their cost of doing business. Tr. 43. These large customers conduct research and perform engineering evaluations to identify and implement improvements that are cost effective. That is why in some states, such as North Carolina, these customers are allowed to opt-out of participating in utility sponsored programs and associated rate surcharges. *Id.* Such opt-out provisions are significant factors that can drastically alter any state-to-state comparisons. PEC is proposing to allow such an opt-out opportunity

for its industrial and large commercial customers in South Carolina for the reasons described above, and the Commission has found such an opt-out provision to be reasonable and appropriate. PEC estimates that potential opt-out eligible customers account for approximately 49% of its South Carolina retail energy sales (kWh). *Id.*

On cross-examination Environmental Intervenors' witness Henderson agreed that the particular situation faced by a utility must be considered in selecting, designing and implementing DSM/EE programs. He also agreed that a utility's forecasted resource needs (whether baseload, intermediate or peaking) must be considered as well as the utility's existing resource and customer mix, and the utility's rates compared to other states. Tr. 292-294.

The Commission finds that all of these factors support implementing individualized programs rather than simply copying another states' DSM/EE policy. The DSM and EE experiences in states like New York and California should not be perfunctorily applied to South Carolina due to regional differences in climate, fuel choices, demographics, customer mix, appliance saturation, housing types, and overall energy policies.

With regard to PEC's actual DSM/EE program selection process, witness Williams testified that because North Carolina law requires PEC to obtain North Carolina Utilities Commission ("NCUC") approval prior to offering any new DSM/EE programs and South Carolina law does not, PEC intends to wait until the NCUC approves a DSM/EE program before offering the program in South Carolina. This process is necessary and appropriate because the NCUC may revise or reject a proposed DSM/EE

program. If the NCUC were to do so, and PEC had already begun offering the DSM/EE program in South Carolina, PEC could find itself offering different programs in the two states leading to a deterioration of the overall cost effectiveness of the program.

Witness Williams testified that in North Carolina, PEC has obtained approval of: a residential heat pump, central air conditioner and water heater DSM program; a residential new construction EE program; and a commercial, industrial and governmental new and retrofit EE program. In addition, Williams explained that PEC has four more DSM and EE programs pending NCUC approval. He stated these programs are not all of the programs PEC intends to offer, and it plans to continue to develop additional programs that will be added to PEC's portfolio of programs over the coming months and years, including a low income weatherization program, an appliance program, and a residential lighting program.

According to Williams, the initial set of programs filed in North Carolina is completely consistent with the intended market sector and relative targeted measures as outlined by the intervenor's witness Henderson. This market includes the Existing Residential Sector, New Construction Residential Sector, New Commercial Construction, and Existing Commercial Buildings. Henderson agreed on cross-examination that PEC's proposed programs are similar to those being implemented by the Arizona Public Service Company ("APS"), a utility which Henderson recommended to the Commission. Hearing Exhibit No. 7. Tr. 292.

Williams, offered PEC's Home Advantage Program (residential new construction) as an example of the efforts in designing appropriate programs for the Carolinas. Tr. 179-181. He stated this program focuses on market transformation to more efficient residential building construction by providing incentives to builders who commit to the Energy Star platform and upgrade their HVAC equipment. Currently, this market is largely untapped in South Carolina and lacks adequate infrastructure, including qualified Home Energy Rating System ("HERS") raters, trained builders, and informed realtors, which are fundamental to successful program participation. To address this need, PEC is investing in resources to help identify and support the training of individuals in its South Carolina service territory that can serve as new HERS raters. PEC also plans to offer classes in South Carolina, including builder and training seminars that will provide a sound understanding of Energy Star construction and marketing to grow the number of qualified energy professionals needed to successfully implement the program.

PEC's starter portfolio of DSM/EE programs begins with a core set of programs targeting broad market segments with straightforward, measure-based incentives. As experience is gained, the Company will add more targeted and complex programs. Williams explained that PEC has selected an initial set of programs and measures that help balance the resource planning needs, performance risks, regulatory interests, costs, and customer satisfaction objectives specific to its customer base. The initial programs incorporate design and concepts that have a proven track record of providing benefits in other regulatory jurisdictions around the country.

The program designs adopted by PEC thus far were developed with the assistance of consulting firms and professionals who have extensive roles and experience in providing similar services to many of the utilities cited by Witness Henderson. As an example, PEC's proposed comprehensive Commercial, Industrial, and Governmental Energy Efficiency Program ("CIG EE") was designed and will be implemented with the assistance of the same professional consultant used to design and implement a comparable program at APS. A comparison of the CIG EE program proposed by PEC with that of APS reveals strong similarities. Henderson agreed that PEC's proposed mix of DSM/EE programs is very similar to those offered by APS and specifically cited APS as a utility that achieved quick results even though its energy efficiency endeavors were relatively new. Tr. 287, 292. PEC anticipates similar positive impacts specific to the climate, local economy, and market demographics of its South Carolina service territory.

According to Williams, all of the programs PEC has proposed thus far pass the relevant cost benefit tests and result in significant reductions in energy ("kWh") and demand ("kW") consumption. Moreover, the bundle of measures constituting a program can be modified as the market changes, and the initial slate of programs will be subject to measurement, verification, evaluation, and market acceptance. Williams states that PEC's initial core set of programs will provide a set of cost-effective opportunities to every market sector. PEC has further indicated that it will continue to add to this core portfolio, utilizing the same basic principles combined with the experience that it gains through initial program offerings and market acceptance. Williams stated PEC agrees with witness Henderson's argument that it is important for PEC to develop a network of

private contractors and energy service providers that will be performing the work. To this end, Williams also stated that PEC has made plans to incorporate ongoing training and education specific to each program delivery channel including architects, engineering firms, builders, trade allies, and contractors as well as many of the professional organizations which represent these groups. Williams testified that a whole-systems approach is needed to ensure the successful launch of PEC's programs, and PEC is committed to engaging the relevant participants for each program. We agree with and support PEC's efforts in this area.

Turning to witness Henderson's recommendation that the Commission establish annual performance targets, it was established during cross-examination that the California Public Service Commission is in the process of reviewing the effectiveness of performance targets associated with that state's DSM/EE programs as well as its cost recovery/incentive procedure in general. We take judicial notice of the California Commission's February 4, 2009, order instituting the rulemaking on its own motion to "adopt, repeal, or amend rules, regulations, and guidelines for the electric and gas utilities." In this order the California Commission states: "We believe it is necessary to consider a more transparent, more streamlined and less controversial RRIM [risk/reward incentive mechanism] program. This may require making small but significant changes to the existing RRIM, or may require wholesale adoption of a new incentive mechanism." Hearing Exhibit No. 5.

Furthermore, PEC rebuttal witness Bateman explained in detail why performance targets are not needed in South Carolina. Tr. 147-148. She testified that the Program

Performance Incentive ("PPI") contained in the DSM/EE Procedure provides a strong incentive to PEC to make every program as successful as possible because the award is based on a percentage of the savings resulting from the program as measured by the Utility Cost Test. *Id.* Therefore, as the program becomes more successful, the incentive award will increase. Bateman stated that establishing performance targets will not provide any greater incentive to offer DSM/EE programs or make such programs more successful than the incentive created by the PPI mechanism, which is tied to actual performance. Tr. 147.

Bateman also testified that establishing overall performance targets is a complex and somewhat subjective undertaking. In order to make any attempt to establish realistic targets, a DSM/EE market potential study must be performed. The results of the market potential study are essential to any attempt to establish realistic and achievable overall portfolio targets. Without these results, any targets are only guesses at what can reasonably be accomplished through a portfolio of DSM or EE programs. She explained that PEC has commissioned such a study that will be complete by the end of March 2009.

Even then, as testified to by Bateman, the results of a market potential study alone are not adequate to create valid goals, and additional factors must be known before target goals can be established with any level of precision. For example, the utility must gain experience with the DSM/EE program implementation process and determine customer acceptance rates. Bateman explained that if appropriate, the issue of performance targets can be revisited in future DSM/EE cost-recovery proceedings after these critical factors

are known, and the Stipulation Agreement contemplates a re-evaluation of the PPI after three years.

We find that the PPI contained in the DSM/EE Procedures provides the greatest incentive possible to encourage PEC to aggressively pursue cost effective DSM/EE programs. We further find that an incentive that grows as DSM/EE program savings grow provides the utility with a substantial incentive to pursue cost effective programs, and performance targets are not necessary at this time.

Turning to Henderson's final recommendation, that the Commission require PEC to establish an Advisory Group, PEC witness Williams testified that the DSM/EE Procedure and the Stipulation Agreement contemplate PEC soliciting the input of all parties to its previous cost-recovery proceeding to assist in PEC's development of new DSM/EE programs. Williams argued no further process is appropriate for input to PEC's resource plan or DSM/EE efforts. He testified that PEC alone is responsible for providing reliable, low-cost electricity to its customers, and PEC alone must defend the prudence, justness, and reasonableness of its costs incurred in doing so. Williams also stated PEC opposes a committee planning process for its resource planning responsibilities, which may focus on only one aspect of resource planning while ignoring the broad scope of objectives that prudent resource planning requires. Williams further provided that while a utility should always be open to others' ideas, a utility must be able to reject the ideas and proposals it finds unreasonable or inappropriate. We agree and find that PEC will solicit and obtain input regarding new DSM programs, which will be subject to the Commission's review, and therefore, no advisory committee is necessary.

In response to witness Hornby's allegation that PEC failed to prove the cost-recovery mechanism contained in the DSM/EE Procedure will produce just and reasonable rates because it lacked actual forecasted DSM/EE costs, Bateman explained that the cost-recovery mechanism contained in DSM/EE Procedure is appropriate for all cost-effective DSM/EE programs to be proposed and allows the Company to recover its actual DSM/EE costs as specifically contemplated by S.C. Code Ann. § 58-37-20. Tr. 144-146. Each program will be reviewed by the Commission before implementation, and the costs associated with the programs are also subject to the Commission's review in the annual proceeding provided for in the DSM/EE Procedure for the purpose of ensuring that only PEC's just and reasonable costs are recovered via the annual rider.

The Procedure provides PEC the option of deferring and amortizing such costs over 10 years with a carrying cost equal to PEC's last Commission-approved overall return. This method allows PEC to only recover its just and reasonable costs and causes the rider to be much lower in the early years than would be the case if all expenses were recovered in the year incurred, which is also compatible with the method advocated by the Environmental Intervenors. This method is in the public interest because it avoids higher rates in the early years of a program before PEC's customers begin realizing program benefits.

Bateman explained that the net present value of expensing all costs in the year incurred, or deferring and amortizing, is the same, but the deferral option included in the DSM/EE Procedure spreads out the cost for recovery purposes in order to keep the rider as low as possible. It also better matches cost recovery with the timing of the benefits of

the programs. Bateman stated, and the Commission agrees, there is no need to have actual DSM/EE costs in order to determine whether this portion of the mechanism is reasonable. A utility should be allowed to recover its just and reasonable costs as this element of the Procedure contemplates. Additionally, Bateman testified that the second element of the DSM/EE Procedure cost recovery mechanism allows PEC to recover its net lost revenues resulting from its DSM/EE programs for three years. To the extent PEC's DSM/EE programs cause its customers to reduce their consumption of electricity, the DSM/EE Procedure makes PEC whole by allowing it to recover its actual net lost revenues.

Finally, Bateman provided that the DSM/EE Procedure allows PEC to recover an incentive to encourage it to pursue DSM/EE resources rather than supply-side resources. This aspect of the proposal allows for PEC to receive an incentive of 8% of the net present value of the Utility Cost Test savings for DSM programs and 13% of the net present value of the Utility Cost Test savings for EE programs. The Utility Cost Test is a nationally recognized test, and the method for calculating it is standardized. The parties to the Stipulation have agreed that incentives of 8% and 13% of these savings as determined by the Utility Cost Test are appropriate. The actual rates resulting from such incentives will provide no additional value in determining whether these are reasonable incentives.

Bateman emphasized that all three elements of the mechanism are expressly supported and justified by S.C. Code Ann. § 58-37-20. While PEC's DSM/EE proposal establishes cost-recovery procedures, the Commission will ensure that the rates produced

by such procedures are just and reasonable by verifying that the costs upon which the rates are based were prudently incurred and are just and reasonable. Therefore, it is not necessary to consider the specific costs to be recovered through a cost-recovery procedure in order to determine whether the procedure itself is appropriate.

S.C. Code Ann. § 58-37-20 specifically requires the Commission to allow a utility a reasonable opportunity to recover its DSM/EE costs, as it provides that a utility must be allowed to recover its costs and obtain a reasonable rate of return on its investment in DSM/EE programs sufficient to make these programs at least as financially attractive as construction of new generating facilities. Under PEC's proposal, if the Company defers recovery of its DSM/EE costs, it will incur carrying costs. Since the expense of the carrying cost associated with PEC's unrecovered DSM/EE costs is a legitimate part of PEC's revenue requirement, the company must be allowed its recovery. As Bateman observed, the recovery of carrying costs is not an incentive, but merely a mechanism to provide for the recovery of costs associated with developing, implementing, and managing the DSM/EE programs.

In adopting S.C. Code Ann. § 58-37-20, Bateman opined that the General Assembly recognized that a utility must be provided both cost recovery and incentives for its DSM/EE programs. Obviously, the greater the incentive, the more aggressively the utility will pursue such programs and measures. The exact level of the appropriate incentive is difficult, if not impossible, to demonstrate empirically. However, the incentive needs to be real and significant enough to cause the utility to develop new DSM/EE programs and measures to satisfy a resource need rather than a supply-side

resource that does not result in lost kilowatt-hour sales and return on investment. Therefore, both a return on unamortized DSM/EE costs and an incentive are necessary and are provided for by the statute. A return on unamortized DSM/EE costs is essential to allow PEC to recover its costs, and an incentive is essential to encourage PEC to aggressively pursue DSM/EE resources rather than supply-side resources in continuing to meet PEC's obligation to provide reliable service to all customers.

CONCLUSION

A recovery mechanism for energy efficiency and demand side management programs offered by a utility should be transparent, reasonably understandable, and consistent with South Carolina Code Ann. Section 58-37-20. The Stipulation presented by Progress Energy and the Office of Regulatory Staff meets these goals consistent with South Carolina Code Ann. Section 58-37-20 by proposing that the Company: (1) recover capital expenditures; (2) recover the actual costs incurred in providing demand side management and energy efficiency programs; (3) recover net lost revenues from these programs; (4) recover incentives equal to 8% of the estimated net savings of demand side management programs as well as 13% of efficiency programs; and (5) defer and amortize all demand side management and efficiency program expenses over a 10 year period. Additionally, Progress's and ORS's proposal will not result in windfall profits and will provide transparency to rate payers, with the unamortized balance of the deferred account earning a return equal to Progress's overall weighted average net of tax rate of return authorized in its last rate case.

However, as an additional regulatory safeguard, the Commission will review and approve Progress' energy efficiency and demand side management programs before they take effect. Progress must submit specific programs, including the initial slate of programs, to the Commission for approval as if they were experimental tariff filings. Unless considered necessary to make findings of fact and/or determine conclusions of law with regard to the programs, the Commission does not anticipate the need for hearings as part of the program approval process.

IT IS THEREFORE ORDERED THAT:

1. The Stipulation Agreement and the DSM/EE Procedure contained therein are approved.

2. PEC may recover capital expenditures, the actual costs incurred in providing demand side management and energy efficiency programs, net lost revenues from these programs, incentives equal to 8% of the estimated net savings of demand side management programs as well as 13% of efficiency programs, and defer and amortize all demand side management and efficiency program expenses over a 10 year period.

3. As a regulatory safeguard, the Commission shall review and approve PEC's Energy Efficiency and Demand Side Management programs before they take effect.

4. When submitting specific programs, including the initial slate of programs, to the Commission for approval, these proposed programs shall be treated as experimental tariff filings.

5. Large commercial or industrial customers that elect not to participate in PEC's DSM/EE programs, but subsequently elect to participate in any new DSM/EE program, will lose the right to be exempt from payment of the annual rider for five (5) years or the life of the program, whichever is longer.

6. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Elizabeth B. Fleming

Elizabeth B. Fleming, Chairman

ATTEST:

John E. Howard

John E. Howard, Vice Chairman

(SEAL)