

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 22, 2022

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Ward, Draper, Hampson) JGH
Office of the General Counsel (Brownless) JSC

RE: Docket No. 20220106-EI – Petition for approval of new my energy bill+ program with income qualified component, by Duke Energy Florida, LLC.

AGENDA: 12/06/22 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 02/03/23 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

Case Background

On June 3, 2022, Duke Energy Florida, LLC (Duke or utility) filed a petition requesting approval of a new flat bill tariff titled My Energy Bill+ program. The My Energy Bill+ program was originally conceptualized in a Memorandum of Understanding between Duke, Vote Solar, the CLEO Institute, and the Southern Alliance for Clean Energy, which was filed in Docket No. 20210016-EI.¹ In this memorandum, Duke stated its intention to seek Commission approval of a flat bill offering that would leverage controllable customer devices and target low-income customers. This program would be an optional program that is similar in structure to Duke's currently-approved Your FixedBill tariff and would include an income qualified component.

Duke's current Your FixedBill (FB-1) tariff is a flat bill program that allows participating customers to receive a fixed monthly bill for 12 months, which is calculated using the prior 12

¹ Document No. 03685-2021, in Docket No. 20210016-EI, *In re: Duke Energy Florida, LLC's Petition for Limited Proceeding to Approve 2021 Settlement Agreement, Including General Base Rate Increases.*

months of actual usage data, applying weather normalization, plus an additional risk and usage adder. The FB-1 tariff was first approved in 2017 by Commission Order No. PSC-2017-0451-AS-EU² and became effective on March 1, 2018. The Order approving the FB-1 tariff states that the difference between the calculated amount customers would have otherwise paid under residential rates and what customers are actually billed under the FixedBill program will be treated as a below-the-line revenue or expense, along with any costs to implement and maintain the program.³ This regulatory treatment is designed to hold non-participants harmless and not subsidize or be subsidized by the FB-1 tariff participants.

In Order No. PSC-2021-0082-TRF-EI, the Commission approved modifications to Duke's FB-1 tariff.⁴ These modifications included the implementation of a pilot program which allows the utility to control the heating, ventilation, and air conditioning (HVAC) thermostats of participating customers taking service under the FB-1 tariff in exchange for a one-time \$50 prepaid gift card. The customer enrollment period for the pilot program ended in September 2022. Currently, approximately 53,000 customers are enrolled in the FixedBill Program, with approximately 2,000 of said customers participating in the pilot program.

This is staff's recommendation on Duke's proposed new My Energy Bill+ program. The proposed tariffs are shown in Attachment A to the recommendation. In Order No. PSC-2022-0304-PCO-EI, the Commission suspended the proposed tariff pursuant to Section 366.06(3), Florida Statutes (F.S.).⁵ Staff issued two data requests in this docket on July 8, 2022, and August 24, 2022, with responses received on July 21, 2022, and September 6, 2022, respectively. The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, F.S.

²Order No. PSC-2017-0451-AS-EU, issued November 20, 2017, in Docket No. 20170183-EI, *In re: Application for limited proceeding to approve 2017 second revised and restated settlement agreement, including certain rate adjustments, by Duke Energy Florida, LLC.*

³ See Page 50 of Order No. PSC-2017-0451-AS-EU.

⁴ Order No. PSC-2021-0082-TRF-EI, issued February 17, 2021, in Docket No. 20200222-EI, *In re: Petition for approval of modifications to rate schedule FB-1, FixedBill program by Duke Energy Florida, LLC.*

⁵ Order No. PSC-2022-0304-PCO-EI, issued August 17, 2022, in Docket No. 20220106-EI, *In re: Petition for Approval of Duke Energy, LLC's New My Energy Bill+ Program with Income Qualified Component.*

Discussion of Issues

Issue 1: Should the Commission approve Duke's proposed My Energy Bill+ program and the associated tariffs?

Recommendation: Yes, the Commission should approve Duke's proposed My Energy Bill+ program and the associated tariff sheet Nos. 6.415-6.417 effective on the date of the Commission vote. The proposed program will allow Duke to achieve peak demand reductions. Participating customers will benefit by receiving a fixed bill with a reduced risk adder and the general body of ratepayers will benefit by any demand reductions realized. Furthermore, the program's regulatory treatment is designed to hold the general body of ratepayers harmless. (Ward, Hampson)

Staff Analysis:

Proposed My Energy Bill+ Program

Duke is proposing to establish a new, voluntary fixed bill program that would allow the utility to have limited control of participating customers' thermostats. Under the My Energy Bill+ program, the utility would be allowed to control customers' thermostats by adjusting the temperature within a specified range during specified demand response events. In exchange, participating customers would pay a fixed monthly bill for a full year with no true-up costs regardless of usage, with a lower risk adder (4 percent) compared to Duke's currently-approved FB-1 tariff that includes a 6 percent risk adder. Currently, Duke estimates approximately 2,700 customers would enroll in the My Energy Bill+ program within the first year, with no cap for enrollment.⁶

In response to staff's first data request, Duke explained that the frequency, duration, thermostat adjustment, and notification associated with demand response events would be the same as the current pilot program.⁷ In Exhibit C to its petition, Duke stated that there will be an average of four demand response events each month in the summer season (June-September) and an average of three events each month in the winter season (October-May). Duke also explained that these events shall have a duration of 1-3 hours and thermostat temperature adjustments shall be between 1-4 degrees Fahrenheit. Duke stated that customers will receive at least one notice when an event is beginning using customer information provided during enrollment. Duke stated in its petition that the current pilot program has run peak usage management events at the monthly system peak time in seven out of nine months.

Customers may override an event by making changes to their thermostat at any time during an ongoing event. However, proposed tariff sheet No. 6.417 states that customers may be removed from the proposed program due to excessive demand response event opt outs. Furthermore, the utility would notify customers in advance if they are at risk of being removed from the program due to excessive opt outs. Participating customers may also be removed from the proposed program if their actual energy usage increases above expected usage by 30 percent for at least

⁶ Responses to Staff's First Data Request, No. 4 (DN 04896-2022); Responses to Staff's Second Data Request, No. 5 (DN 06023-2022)

⁷ Responses to Staff's First Data Request, No. 12 (DN 04896-2022)

three months. Again, Duke would notify customers in advance if they are at risk from being removed from the program due to excessive energy usage.

Income Qualified Program Component

Pursuant to the Memorandum of Understanding, Duke is proposing to offer 1,000 income qualified customers who participate in the proposed program a free smart thermostat. Duke stated that beyond the first 1,000 income qualified customers, the thermostats will be heavily discounted, through collaboration with thermostat partners, although the final cost to income qualified customers has not yet been determined.⁸ For the purpose of the proposed program, Duke defines customers as income qualified if they earn less than 200 percent of the Federal Poverty Guidelines. Duke explained that eligibility for income qualified customers would be determined by customers presenting documentation which shows participation in certain government programs.⁹ In its petition, Duke explained that it conducted a survey of customers and the utility found that there was interest among income qualified customers in a fixed bill program and in receiving a smart thermostat. Duke stated that the costs for income qualified thermostats will be accounted for as below-the-line.¹⁰

In response to staff's first data request, Duke stated that no ratepayer money will be used to fund the free smart thermostats. Instead, the thermostats would be partially funded through Duke's Share the Light fund, as well as thermostat donations from partners.¹¹ Customers and employees can contribute to the Share the Light fund and Duke works with agencies to distribute these funds to qualifying customers in order to pay their energy bills.

Program Eligibility

To be eligible to enroll in the My Energy Bill+ program, the proposed tariff requires customers to take service under the standard residential rate schedule, to have lived in their current residence for the past 12 months, to have a load profile that can be modeled with reasonable predictability, to be current on their bill payments, and to have an eligible thermostat that is active, installed, and connected to Wi-Fi. In response to staff's second data request, Duke stated that eligible thermostats are defined by the utility as those with a make and model that is on the list of thermostats that the Demand Response Management System can communicate with.¹²

Furthermore, to be eligible for the proposed program, within the last 12 months customers may not have defaulted on a payment arrangement, entered into a multi-month payment arrangement, had a payment that was not honored by a financial institution, or been disconnected for non-payment of electric service. However, the proposed tariffs allow Duke to waive some or all of these four requirements for income qualified customers.

Customers who enroll in the My Energy Bill+ program would need to enter into a Service Agreement with Duke for a term of 12 months. Prior to end of the 12-month term, Duke would calculate a new fixed monthly bill amount for the following year and would notify the customer

⁸ Responses to Staff's Second Data Request, No. 1 (DN 06023-2022)

⁹ This process would be similar to how Duke currently determines if customers are eligible as low-income participants in the Clean Energy Connection optional solar program.

¹⁰ Responses to Staff Second Data Request No. 11 (DN 06023-2022)

¹¹ Responses to Staff's First Data Request, No. 5 (DN 04896-2022)

¹² Responses to Staff's Second Data Request, No. 4 (DN 06023-2022)

of the new monthly bill amount. The customer would be automatically renewed at the new monthly bill amount for the following year unless the customer notifies Duke of their intent to be removed from the program.

Fixed Monthly Bill Calculation

Eligible customers who enroll in the proposed program would have their fixed monthly bill calculated starting with 12 months of actual energy usage data, applying weather normalization and any applicable usage and risk adders. Fixed monthly bills for the proposed program would be calculated using the same method as Duke's currently-approved FB-1 tariff.

Specifically, proposed tariff sheet No. 6.415 provides the formula Duke would use to calculate a customer's fixed monthly bill for the year. Duke would begin by multiplying a customer's predicted weather normalized monthly kilowatt hour (kWh) usage by the expected non-fuel energy charge (including expected cost recovery factors, expected fuel cost recovery factor, and expected asset securitization charge). Duke would then multiply this amount by the risk adder, deduct any expected applicable credits, and add the expected monthly customer charge. Applicable taxes and other charges, such as service charges, lighting, and non-regulated services are not included in the fixed monthly bill calculation, but will be applied and included in the total amount due.

Duke stated in its proposed tariffs that the risk adder is used to compensate the utility for the risk associated with weather-related consumption and non-weather-related impacts. The initial risk adder would be applied annually and would be capped at 4 percent. Furthermore, the risk adder may be lowered based on a participating customer's individual load profile and behavioral responses. Duke's currently-approved FB-1 tariff uses a risk adder that is capped at 6 percent. In response to staff's second data request, Duke stated that it considered various factors in the decision to reduce the risk adder offered in the proposed program.¹³ Duke also explained that the proposed 4 percent risk adder was the best balance in garnering customer interest in participation and the risk borne by the utility to effectively control customer demand.

Similar to the current FB-1 tariff, during a customer's first year participating in the proposed program, an additional usage adder would be applied to the customer's predicted weather normalized (based on the utility's historical seasonal heating and cooling degree days) monthly kWh usage. Duke stated in its proposed tariffs that the usage adder would be used to compensate the utility for the risk associated with increased usage by the customer in their first year of participating in the proposed program not associated with the weather. The usage adder would be capped at 6 percent.

As with the current FB-1 tariff, the difference between the amount the customer would have paid under the residential rates and the fixed bill amount will be treated as a below-the-line revenue or expense. This regulatory treatment is designed to hold non-participants harmless and not subsidize or be subsidized by the participants in the proposed program. In addition, as with the current FB-1 tariff, administrative and operating costs such as enrollment processing costs and marketing costs, will be accounted for as below-the-line to hold the general body of ratepayers harmless from the optional program.

¹³ Responses to Staff's Second Data Request, No. 14 (DN 06023-2022)

Conclusion

Having reviewed the petition and staff data request responses, staff recommends that the Commission should approve Duke's proposed optional My Energy Bill+ program and associated tariff sheet Nos. 6.415-6.417 effective on the date of the Commission vote. The proposed program will allow Duke to achieve peak demand reductions. Participating customers will benefit by receiving a fixed bill with a reduced risk adder and the general body of ratepayers will benefit by any demand reductions realized. Furthermore, the program's regulatory treatment is designed to hold the general body of ratepayers harmless.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Brownless)

Staff Analysis: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.



NO. 6.100

SECTION NO. VI
TWENTY-FIFTH SIXTH REVISED SHEET NO. 6.100
CANCELS TWENTY-FOURTH FIFTH REVISED SHEET

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ISSUED BY: Thomas G. Foster, Vice President, Rates & Regulatory Strategy - FL

EFFECTIVE: January 4, 2022



SECTION NO. VI
ORIGINAL SHEET NO. 6.415

Page 1 of 3

RATE SCHEDULE MEB-1
Optional – My Energy Bill+ Program

Availability:

Available throughout the entire territory served by the Company.

Applicable:

To customers taking service under the Company's Standard Residential Tariff rate schedules who have lived in their current residence for the previous 12 months, have had their electricity priced on the Company's Standard Residential Tariffs for the previous 12 months, have a load profile that can be modeled with reasonable predictability, and are current on their electric service bill. Within the last 12 months, the customer may not have:

- 1) Defaulted on a payment arrangement;
- 2) Entered into a multi-month payment arrangement;
- 3) Had a payment that was not honored by a financial institution; or
- 4) Been disconnected for non-payment of electric service.

Customers must have a whole-home, centrally controlled, electric-based heating and cooling system(s) and have an installed, active, and eligible My Energy Bill+ Program peak usage management device(s) and grant the Company the ability to manage specific customer owned assets outside of applicable Commission-approved DSM programs during My Energy Bill+ Program events. If a customer is eligible in the Income Qualified (IQ) program, the Company may provide a discounted smart thermostat to the customer. For IQ customers, the Company may waive some or all of the four enumerated requirements above.

Character of Service:

Electric energy supplied hereunder must meet the Character of Service and usage specifications consistent with service under the Company's Standard Residential Tariffs. Upon enrollment, an individual profile will be created for each My Energy Bill+ participant, informed by factors such as payment history, detailed residential energy usage, seasonal variation data, and thermostat type.

Limitation of Service:

Service under this rate schedule is not available to net metering customers, customers with multiple electric meters on one account, or Non-Standard Meter Rider customers. Customers may only participate in one of the following: MEB-1 (My Energy Bill+), FB-1 (FixedBill), or Budget Billing.

My Energy Bill+ program events shall be operated separately from the RSL-1 and RSL-2 load management program events. Priority in a critical capacity situation shall be given to all demand-side management program events, including RSL-1 and RSL-2 load management program events over My Energy Bill+ program events.

My Energy Bill+ Amount:

Subject to its Terms and Conditions, the Company's My Energy Bill+ Program offers customers a predetermined electric bill for 12 months and protects participating customers from unpredictable bills caused by weather related usage and certain changes in electric rates, in exchange for specific Company-managed control of the customer's load. The customer's Monthly My Energy Bill+ Amount will be calculated starting with 12 months of past Actual Usage data, applying weather normalization and any applicable Usage and Risk Adders.

$[(\text{Predicted Weather Normalized Monthly kWh Usage} \times (1 + \text{Usage Adder})) \times (\text{expected Non-Fuel Energy Charges including expected Cost Recovery Factors, expected Fuel Cost Recovery Factor and expected Asset Securitization Charge})] \times (1 + \text{Risk Adder}) - \text{expected applicable credits} + \text{expected customer charge}$.

The monthly My Energy Bill+ Amount will not include Applicable Taxes and other charges such as service charges, lighting and non-regulated products and services. Applicable Taxes and fees will be applied to the My Energy Bill+ Amount and included in the total amount due.

Definitions:

Actual Energy Usage: The customer's actual energy usage for a designated time period.

Actual Weather: Weather experienced during a historical time period measured using actual heating degree-days and cooling degree-days.

Applicable Removal Charges: Charges incurred when the customer discontinues My Energy Bill+ service before the 12-month Service Agreement period expires. The Company will calculate what the customer would have paid under the RS-1 rate schedule during the My Energy Bill+ Service Agreement period. If the customer has paid less than the RS-1 rate schedule, the customer will be charged the difference. If the customer paid more than the RS-1 rate schedule, the customer will not be credited the difference.

(Continued on Page 2)

ISSUED BY: Thomas G. Foster, Vice President, Rates & Regulatory Strategy - FL

EFFECTIVE:



SECTION NO. VI
ORIGINAL SHEET NO. 6.416

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RATE SCHEDULE MEB-1
Optional – My Energy Bill+ Program
(Continued from Page No. 1)

Applicable Taxes: See Rate Schedule BA-1, Sheet No. 6.105, 6.106, and 6.107.

Asset Securitization Charge: See Rate Schedule BA-1, Sheet no. 6.105 and 6.106.

Cost Recovery Factors: See Rate Schedule BA-1, Sheet no. 6.105 and 6.106.

Event Opt Out: When a customer overrides the Company's management of the customer's specific load during an event, thus not allowing the Company to reduce the customer's usage during the event.

Fuel Cost Recovery Factor: See Rate Schedule BA-1, Sheet no. 6.105 and 6.106.

Income Qualified (IQ) Program: Customers earning less than 200% of the Federal Poverty Guidelines are eligible to participate in the IQ program.

My Energy Bill+ Amount: A predetermined fixed bill amount over a twelve (12) month period as described in the "My Energy Bill+ Amount" section above.

My Energy Bill+ Program Events: Also referred to as an "event". This is the period during which the Company manages the customer's specific load. The frequency and duration of events are defined in the Terms and Conditions below.

Non-Fuel Energy Charge: See Rate Schedule RS-1, Sheet no. 6.120.

Non-Standard Meter Rider: See Rate Schedule NSMR-1, Sheet no. 6.400.

Normal Weather: Weather at the 50th weather percentile based on the Company's historical seasonal heating degree-days and cooling degree-days.

Peak Usage Management Device: Devices that are approved for use in the Company's My Energy Bill+ Program, including but not limited to smart thermostats.

Predicted Weather Adjusted Total kWh Usage: The customer's predicted total usage (kWh) for the applicable time period based on Actual Weather.

Predicted Weather Normalized Monthly kWh Usage: The customer's predicted monthly usage (kWh) based on Normal Weather.

Risk Adder: This adder is used to compensate the Company for the risk associated with weather-related consumption and non-weather-related impacts. The initial risk adder will be capped at 4%. This adder will be applied each year that the customer is on the My Energy Bill+ program and may be lowered based on a participating customer's individual profile and behavioral responses.

Service Agreement: A contractual agreement entered into between the Company and the customer for a twelve (12) month term specifying the My Energy Bill+ Amount and all requirements associated with allowing management of the specific customer owned assets.

Standard Residential Tariff: The Company's RS-1, RST-1, RSL-1 and RSL-2 Rate Schedules, beginning Sheet Nos. 6.120, 6.140, 6.130, and 6.135, respectively.

Usage Adder: This adder is used to compensate the Company for the risk associated with increased usage by customers in their first year while on My Energy Bill+ not associated with weather. The initial usage adder will be capped at 6%. This adder will only be applied during the customer's first year on the My Energy Bill+ program.

Terms and Conditions:

1. The customer will enter into a Service Agreement with the Company that will specify the monthly My Energy Bill+ Amount that the customer will be required to pay and, as applicable, all requirements associated with allowing control of customer owned assets.
2. The term of the Service Agreement will be for twelve (12) months. The Company will calculate a new monthly My Energy Bill+ Amount for the following year and notify the customer of the new contractual amount before the current 12-month My Energy Bill+ period expires. The customer will be automatically renewed at the new monthly My Energy Bill+ Amount for the following year unless the customer notifies the Company of their intent to be removed from the My Energy Bill+ program.
3. The frequency and duration of My Energy Bill+ Events will be in accordance with the My Energy Bill+ program's Service Agreement.

(Continued on Page 3)

ISSUED BY: Thomas G. Foster, Vice President, Rates & Regulatory Strategy - FL

EFFECTIVE:



SECTION NO. VI
ORIGINAL SHEET NO. 6.417

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RATE SCHEDULE MEB-1
Optional – My Energy Bill+ Program
(Continued from Page No. 2)

Terms and Conditions (Continued):

4. Removal from the program:

A. Move from Current Residence.

If a participating customer moves from their current residence before the 12-month Service Agreement period expires, Applicable Removal Charges will apply.

B. Delinquent My Energy Bill+ Payments.

If a customer becomes delinquent in a My Energy Bill+ payment, the Company will follow standard procedures for Standard Residential Tariff customers. If the customer is disconnected for nonpayment, the customer will be removed from the My Energy Bill+ program and Applicable Removal Charges will apply.

C. Increased Actual Energy Usage Above Expected Usage (Excess Usage).

The Company reserves the right to terminate the customer's My Energy Bill+ program Service Agreement if the customer's total Actual Energy Usage exceeds their Predicted Weather Adjusted Total kWh Usage by at least 30% for at least three months. If the customer is removed from the My Energy Bill+ program due to excessive usage, Applicable Removal Charges will apply. The Company will notify the customer in advance if they are at risk of being removed from the program due to excessive usage.

D. Customer Voluntary Removal.

If a customer chooses to leave the My Energy Bill+ program prior to the end of the 12-month Service Agreement period, the customer will be removed from the My Energy Bill+ program and Applicable Removal Charges will apply. After the end of each My Energy Bill+ Service Agreement period, eligible customers will automatically renew for the next My Energy Bill+ Service Agreement period unless the customer indicates their intention to return to the Standard Residential Tariff. If the Standard Residential Tariff election is made prior to the automatic renewal of the My Energy Bill+ Service Agreement, no Applicable Removal Charges will apply.

E. Event Opt Outs

If a customer is removed from the My Energy Bill+ program due to excessive program event opt outs, Applicable Removal Charges will apply. The Company will notify the customer in advance if they are at risk of being removed from the program due to excessive opt outs.

F. Emergency Conditions/Deceased Customers

Company shall have the right to waive the Applicable Removal Charges if the circumstances giving rise to the application of such charges are directly related to a natural disaster or other similar conditions for which an emergency has been declared by a governmental body authorized to make such a declaration. Company shall also waive the Applicable Removal Charges if presented with evidence that the customer is deceased before the end of the 12-month Service Agreement period.

ISSUED BY: Thomas G. Foster, Vice President, Rates & Regulatory Strategy - FL

EFFECTIVE: