

EXISTING DSM PROGRAM COSTS ADJUSTMENT RIDER (NC)

APPLICABILITY (North Carolina Only)

Service supplied under the Company's rate schedules is subject to approved Demand Side Management (DSM) program costs adjustments, if any, over or under the rate incorporated in the approved rate schedules.

EXISTING DSM PROGRAM RATE ADJUSTMENTS

The Commission has ordered effective for service rendered on and after January 1, 2008 that such an adjustment shall be included in the Company's rate schedules and an appropriate existing DSM program costs adjustment rider be filed together with the rate schedules to implement the changes to the existing DSM program costs components.

BASE EXISTING DSM PROGRAM COSTS

The Base Existing DSM Program Costs amount established January 1, 2010 in Docket No. E-7, Sub 909 is 0.0148 ¢/kWh, effective through January 31, 2012. The Base Existing DSM Program Costs amount established effective February 1, 2012 in Docket E-7, Sub 989 is 0.0125 ¢/kWh.

EXISTING DSM PROGRAM COST ADJUSTMENT FACTOR

A rider adjustment will be applied to the energy charges of all NC Retail rate schedules in an amount to the nearest one ten-thousandth of a cent, as determined by the following formula, to the extent determined reasonable and proper by the Commission. This adjustment is not included in the rate schedules of the Company and therefore, must be applied to the bill as calculated under the applicable rate.

$$A = D / S$$

Where:

A = Existing DSM Program Costs Rate Adjustment per kilowatt hour applied to the applicable base rates rounded to the nearest one ten-thousandths of a cent

D = DSM deferral account balance for the period calculated as  $((C \times \text{NC Allocation Factor}) - E) + R$

Where:

C = Program costs from existing DSM programs as defined in Docket Nos. E-7, Sub 487, E-100, Sub 64, and E-100, Sub 75.

NC Allocation Factor = NC Retail summer coincident peak / Total system summer coincident peak from current Cost of Service Study

E = Base Existing DSM Program Costs established January 1, 2010 in Docket No. E-7, Sub 909 of 0.0148 ¢/kWh, multiplied by actual NC Retail kWh sales for the applicable period

R = Return calculated by applying, on a monthly basis, the net-of-tax overall rate of return approved in the last general rate case and compounding annually

S = Projected Sales, defined as projected North Carolina Retail jurisdictional kilowatt hour sales from all classes of customers for the applicable July 1 – June 30 rider period.

	<u>Effective July 1, 2011</u>
Change in Existing DSM Costs	-0.0037 ¢/kWh
Gross Receipts Tax and Regulator Fee Multiplier	<u>1.034554</u>
Change in Rates	-0.0038 ¢/kWh

The appropriate revenue-related tax factor will be applied to rate adjustments approved under this Rider. The rider calculation will be subject to appropriate modification to reflect changes in income tax laws or regulations, subject to Commission approval.

Beginning in 2009, the Company shall file the Existing DSM Program Costs Adjustment Rider on April 1 of each year following the calendar year under consideration, to be effective July 1 of that year.