

RIDER EE (NC)
 ENERGY EFFICIENCY RIDER

APPLICABILITY (North 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 North Carolina Utilities Commission (NCUC). 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 is a four-year limited term pilot.

GENERAL PROVISIONS

This Rider will recover the cost of new energy efficiency and demand-side management programs, using the method approved by the NCUC, for programs implemented over a four-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 Year, as well as net lost revenues resulting from the energy efficiency programs. Net lost revenues are revenue losses, net of both marginal costs avoided at the time of the lost kilowatt hour sale(s) and increases in revenues resulting from any activity by the Company’s public utility operations that cause a customer to increase demand or energy consumption. Net lost revenues associated with each Vintage Year will be recovered for 36 months upon implementation, except that the recovery of net lost revenues will end upon implementation of new rates approved by the Commission in a general rate case or comparable proceeding to the extent that rates are set in a rate case for vintages up to that point. To recover net lost revenues for programs implemented in years 3 and 4, the Rider will continue beyond the four-year period.

Revenue requirements will be determined on a system basis and allocated to North Carolina retail customers based on the North Carolina retail contribution to system retail peak demand for demand side management programs and North 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 NCUC 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 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. If a customer participates in any vintage of programs, the customer is subject to the true-ups as discussed in this section for any vintage of programs in which the customer participated.

Participation true-ups: After the completion of the first Vintage 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: In the sixth year a final true-up will be based on changes in participation combined with actual verified kW and kWh savings.

Earnings cap true-up: In the sixth year, a true up will adjust customer bills, if applicable, to refund with interest, amounts collected through the Rider in excess of the earnings cap, in accordance with the following levels of achievement of actual energy and peak demand reductions and allowed return on investment.

<u>Percentage Actual Target Achievement</u>	<u>Return on Investment Cap on Program Costs Percentage</u>
>=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 in kilowatt hours (kWh) billed of all rate schedules for each vintage as determined by the following formula, adjusted as appropriate for the time value of money:

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EEA Residential (expressed as cents per kWh) =

(Residential Avoided Cost Revenue Requirement + Residential Net Lost Revenues) / Forecasted Residential kWh Sales for the Rider billing period

Where

Residential Avoided Cost Revenue Requirement = (Residential Demand-Side Management Program Avoided Cost X 75%) + (Residential Energy Efficiency Program Avoided Cost X 50%)

EEA Non-residential (expressed as cents per kWh) =

(Non-residential Avoided Cost Revenue Requirement + Non-residential Net Lost Revenues) / Forecasted Non-residential kWh Sales for the Rider billing period

Where

Non-residential Avoided Cost Revenue Requirement = (Non-residential Demand-Side Management Program Avoided Cost X 75%) + (Non-residential Energy Efficiency Program Avoided Cost X 50%)

OPT OUT PROVISION FOR QUALIFYING NON-RESIDENTIAL CUSTOMERS

The EEA 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 certifies or attests to the Company that it has, or has plans for implementing alternative energy efficiency measures in accordance with quantifiable goals.
- 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.
 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 more.

The following additional provisions apply for qualifying customers who elect 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 annual two-month enrollment period between November 1 and December 31 immediately prior to a new Rider EE becoming effective on January 1. (Qualifying new customers have sixty days after beginning service to opt out).
- 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 energy efficiency programs in which the customer participated.

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. Qualifying customers who have not opted out of demand-side management in the 2009 enrollment period for Rider EE effective January 1, 2010 are not eligible to opt out until the opt out period in 2012.

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.

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ENERGY EFFICIENCY RIDER ADJUSTMENTS (EEA)

The EEA applicable to the residential and nonresidential rate schedules for the period January 1, 2012 through December 31, 2012 including revenue-related taxes and utility assessments are as follows:

<u>Residential</u>	Vintage 1, 2, 3	0.2329¢ per kWh *
<u>Nonresidential</u>		
	Vintage 1	
	Energy Efficiency	0.0218¢ per kWh *
	Demand Side Management	0.0205¢ per kWh
	Vintage 2	
	Energy Efficiency	0.0037¢ per kWh
	Demand Side Management	NA
	Vintage 3	
	Energy Efficiency	0.0406¢ per kWh
	Demand Side Management	0.0526¢ per kWh
	Total Nonresidential	0.1392¢ per kWh

*Does not include recovery of the third year of net lost revenues for Vintage 1. Such lost revenues will be addressed in a general rate case.

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.