

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA  
COLUMBIA, SOUTH CAROLINA

HEARING #08-11084

JANUARY 19, 2010

10:30 A.M.

**ALLOWABLE EX PARTE BRIEFING**

*REQUESTED BY PROGRESS ENERGY CAROLINAS, INC.* - Demand Side  
Management and Energy Efficiency Programs

**TRANSCRIPT OF  
PROCEEDINGS**

**COMMISSIONERS PRESENT:** Elizabeth B. 'Lib' FLEMING, *CHAIRMAN*;  
and COMMISSIONERS David A. WRIGHT, G. O'Neal HAMILTON, Randy  
MITCHELL, and Swain E. WHITFIELD.

ADVISOR TO COMMISSION: Joseph Melchers, Esq.

**STAFF:** Charles L.A. Terreni, Chief Clerk/Administrator; Jocelyn B.  
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Ellison, and Lynn Ballentine, Advisory Staff; Jo Elizabeth M. Wheat,  
CVR-CM-GNSC, Court Reporter; and Deborah Easterling, Hearing Room  
Assistant.

**APPEARANCES:**

*SHEALY BOLAND REIBOLD, ESQUIRE*, acting as non-  
staff certifier

*KENDAL BOWMAN, ESQUIRE*, along with *CHRIS EDGE*  
*and GARY FREEMAN*, presenters, representing PROGRESS  
ENERGY CAROLINAS

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Please note: PowerPoint presentation (electronic and hard copy versions) and Neighborhood Energy Saver Program packet contents are attached hereto.

P R O C E E D I N G S

1  
2           **CHAIRMAN FLEMING:** Please be seated. This  
3 meeting will now come to order. At this time, our  
4 attorney, Joseph Melchers, will read the docket.

5           **MR. MELCHERS:** Thank you, Madam Chairman and  
6 Commissioners. Today we are here for an allowable  
7 ex parte briefing that has been requested by  
8 Progress Energy Carolinas, and the subject is  
9 demand-side management and energy efficiency  
10 programs. We will hear a presentation by Gary  
11 Freeman and Chris Edge. Thank you.

12           **CHAIRMAN FLEMING:** And who represents Progress  
13 Energy today?

14           **MS. BOWMAN:** This is Kendal Bowman, and I am  
15 attorney for Progress Energy Carolinas. And I  
16 would like to thank the Commission today for taking  
17 the time to listen to us present some updates on  
18 our DSM and energy efficiency programs.

19           **CHAIRMAN FLEMING:** Well, we're delighted to  
20 have you here today.

21           **MS. BOWMAN:** Thank you. And I will turn it  
22 over to Gary and Chris.

23           **CHAIRMAN FLEMING:** All right. Thank you.

24           **MR. FREEMAN:** I'm not sure -- am I on  
25 [indicating]?

1 My name is Gary Freeman. Good morning.  
2 You've probably seen Chris Edge come before this  
3 group before, and as we've kind of evolved into  
4 these programs, we've split our roles. So  
5 primarily my accountability and my part of this  
6 presentation will be the implementation of these  
7 programs. Chris is involved in the development of  
8 the programs and kind of leading us, you know, in  
9 figuring out where we're going, longer term. So,  
10 again, my accountability as program manager is to  
11 ensure that these programs are delivered in a cost-  
12 effective and efficient manner, and validate the  
13 assumptions and results of these programs going  
14 forward.

15 I guess you've got a hard copy, and I think we  
16 plan to use the overheads, as well. If you'll skip  
17 to the first page.

18 [Ref: PowerPoint Page 2]

19 If you recall, we presented for filing --  
20 presented a filing back mid-year 2009, in May, and  
21 you gave us approval to move forward on these  
22 programs in June. So, in 2009, our efforts have  
23 essentially been spent getting these programs up  
24 and running, getting staffing in place, getting  
25 contractors and vendors in place to begin

1 implementation of these programs. So as we go  
2 through these, you'll see that we're kind of at  
3 various stages of getting the programs up and  
4 running, but every one of these programs is now up  
5 and running and is a viable program. So in 2010  
6 our efforts will be spent really trying to achieve  
7 the targets and assumptions that we've made in  
8 these programs.

9 So what we want to do is go program by program  
10 through these, to give you a quick overview of what  
11 the program is and what customer segment we're  
12 targeting, how the program works, and then get into  
13 I think what you're most interested in, is, how are  
14 these programs being received and kind of what kind  
15 of challenges and things are we seeing with each of  
16 these programs. So we'll start with residential  
17 programs first and then we'll finish with our  
18 commercial programs, and then last, Chris will  
19 spend some time going over some of the new programs  
20 that we have kind of in the pipeline and in our  
21 development process.

22 [Ref: PowerPoint Page 3-4]

23 First program we want to review is what we've  
24 called our Neighborhood Energy Saver program. This  
25 program focuses on our low-income customers and

1 helps them understand how their energy is used, and  
2 helps them with developing energy efficiency  
3 behaviors within their households.

4 The program really focuses on kind of three  
5 areas: The home energy assessment, when we send a  
6 team of two people into the home, that's the first  
7 thing we do is kind of do an assessment of the  
8 home, talk to the homeowner or household and  
9 explain what we found with the assessment. Then  
10 second, we deliver a kit of energy conservation  
11 measures -- and the next page, in a minute, we'll  
12 go through those, briefly. But based on our  
13 assessment, we deploy these measures throughout the  
14 house while the customer is there. And third, and  
15 maybe just as importantly as the other two efforts,  
16 we try and spend time with the customer, educating  
17 them on how to change their behaviors and, you  
18 know, with energy conservation in mind. So, in  
19 other words, if they turn their thermostat down a  
20 degree or two, what does that mean in terms of  
21 energy consumption. You know, if they lower their  
22 water heater temperature, you know, so many  
23 degrees, that kind of thing, and we talk about  
24 energy conservation.

25 We target, in this program, neighborhoods, not

1 necessarily individual customers, and we look at --  
2 you know, we work with the local communities to  
3 identify neighborhoods that meet certain criteria.  
4 Generally, we follow -- as we indicate here, we're  
5 looking at neighborhoods where households have  
6 incomes less than or equal to 50 percent above kind  
7 of the poverty level, within those areas. So in  
8 South Carolina, using this criteria, there are over  
9 10,000 homes or households that we ultimately  
10 envision targeting with this program.

11 This program is also designed to complement  
12 the federal stimulus funds. We're kind of touching  
13 on kind of some of the broader implementations that  
14 cost very little or a low amount of money to  
15 implement, but what we're finding is we have the  
16 opportunity in this program to screen and identify  
17 and encourage homeowners and customers to contact  
18 the State weatherization programs to look at  
19 broader and more detailed weatherization programs,  
20 so we feel like this program does complement the  
21 State programs, as well.

22 [Ref: PowerPoint Page 5]

23 On the next page, this is a list of the  
24 conservation measures that we include in our kit.  
25 We try and install every one of these measures in

1 the home. The interesting thing about this is,  
2 when we install these measures, we're not just  
3 focusing on electricity usage reduction; we also  
4 get the added benefit that, with the low-flow  
5 aerators and showerheads, you know, we are getting  
6 benefit with lowering water consumption. Then also  
7 on the heating side, you know, a lot of these  
8 customers heat with other fuels -- natural gas and  
9 fuel oil -- so we're also seeing the benefit with  
10 other fuels, as well, as part of this program.

11 [Ref: PowerPoint Page 6]

12 Our plans for the program -- we actually just  
13 kicked this program off last week in Florence, and  
14 we had -- it was really exciting to participate in  
15 that program. We had an overflow crowd -- we  
16 overflowed the facility that we had selected to  
17 kick this program off. We had the mayor, we had  
18 four of the town council members there, we had TV  
19 coverage, newspaper coverage, and the general air  
20 was a lot of excitement as we were rolling and  
21 introducing this program out into the local  
22 community. So we are really excited about the  
23 participation kickoff.

24 We plan to move our crews -- in fact, our  
25 crews are actually in the process of moving into

1 the community now, and we anticipate actually  
2 starting implementation of the program this next  
3 week and in the following weeks. We've targeted in  
4 this particular neighborhood roughly 750  
5 participants. When the program was designed, we  
6 anticipated about a 50 percent participation rate,  
7 but what we've seen so far -- we kicked this  
8 program off in Asheville -- we've seen our  
9 participation rate up in the 80 percent range. So  
10 what we're seeing so far is that, you know, this  
11 program is being extremely well received in the  
12 communities, both by the community and customers in  
13 the area.

14 Looking forward, we expect to be in Marion in  
15 the March/April timeframe. We'll do the same thing  
16 with the kickoff, and we're targeting a slightly  
17 smaller group of participants there, as well. And  
18 ongoing, our target is to gain roughly 1,000  
19 participants per year on an ongoing basis.

20 We touched on Asheville. We've completed  
21 there over 700 homes, and we started that in late  
22 October. So Asheville was the first location;  
23 Florence is the second location to implement this  
24 program.

25 One of the challenges we are experiencing with

1 this program is that a lot of our customers don't  
2 pay the utility bill. A lot of them have -- you  
3 know, are in homes or communities that are owned by  
4 housing authorities, and so forth. So trying to  
5 get all the various stakeholders kind of engaged  
6 and kind of aligned in terms of, you know, with the  
7 energy efficiency program, has not necessarily been  
8 a challenge but we recognize that as a potential  
9 issue. You know, especially when you go into the  
10 home and you're changing out air-conditioning  
11 filters and things like that -- we leave them a  
12 supply of 12 filters, and you're hoping that that  
13 customer has the incentive to continue to replace  
14 those filters as time goes on. So there's a little  
15 bit of a disconnect there. So what we're trying to  
16 do is going into these communities not only just to  
17 educate the consumer, but also educate the housing  
18 authority and landlords and people that are also  
19 involved in these homes.

20 **COMMISSIONER HAMILTON:** Madam Chair.

21 **CHAIRMAN FLEMING:** Yes, Commissioner.

22 **CHAIRMAN FLEMING:** Would it be in order to ask  
23 questions as we complete each segment, or do you  
24 prefer to wait until the end?

25 **CHAIRMAN FLEMING:** You mean, as we go through

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each of the programs?

**COMMISSIONER HAMILTON:** Programs, yes, ma'am.

**CHAIRMAN FLEMING:** We can ask questions -- I think it would be good to ask after each program is complete.

**COMMISSIONER HAMILTON:** I have a couple, Madam Chairman.

**CHAIRMAN FLEMING:** Well, have you finished?

**MR. FREEMAN:** Well, let me just add one other thing, then, and --

**CHAIRMAN FLEMING:** Let's let him --

**MR. FREEMAN:** -- finish with that program.

**CHAIRMAN FLEMING:** -- finish.

**MR. FREEMAN:** We left each of you an envelope, a little packet. This is what we leave with each customer. And we thought, especially with this program, it would be interesting to just take a minute and just kind of share with you what's in this packet. We've got letters in here notifying customers in the neighborhood that we've selected, and, you know, what we're going to be doing. We have door hangers. We've actually provided this in both English and Spanish. So we thought you would find this packet interesting, as part of this program.

1           And that generally covers our update for this  
2           program.

3           **COMMISSIONER HAMILTON:** Thank you. Thank you,  
4           Mr. Freeman. A couple of questions -- and you  
5           covered it somewhat, but on the low income, as to  
6           ownership, you talked about housing authority where  
7           a number of these people live. But on tenant  
8           property, what's the reaction? How do you handle  
9           this, or is this where you go?

10          **MR. FREEMAN:** I'm sorry, like a landlord-  
11          tenant relationship?

12          **COMMISSIONER HAMILTON:** Right, yes, sir.

13          **MR. FREEMAN:** I mean, this challenge, we're  
14          just really trying to figure out exactly how to  
15          handle this. So we recognize that the landlord-  
16          tenant kind of, you know, is an issue, and those  
17          relationships kind of are all over the board in  
18          terms of who's actually responsible for the utility  
19          bill and who is not. But our general belief is,  
20          you know -- we're to identify all these  
21          stakeholders, if you will, and kind of bring them  
22          all into this process, and it's all part of the  
23          education on what we're doing, and the benefits,  
24          and so forth.

25          **COMMISSIONER HAMILTON:** Okay. On your

1 program, does it have an emphasis -- I know you  
2 have probably greater emphasis on the incorporated  
3 areas where probably there's more people in a small  
4 area, but how about unincorporated areas, these  
5 rural towns?

6 **MR. FREEMAN:** Well, I think -- I mean, good  
7 point. It's probably more efficient to, you know,  
8 move into one small, you know, kind of consolidated  
9 neighborhood, but we work with the local community,  
10 community leaders, to identify these neighborhoods  
11 and, yes, I think as time goes on, you know, we'll  
12 obviously expand out and kind of mix our focus  
13 between rural and more urban neighborhoods.

14 **COMMISSIONER HAMILTON:** But you will have  
15 emphasis in counties where possibly you don't  
16 supply the municipal power, but you serve the  
17 unincorporated areas, so you will have programs  
18 that go to these counties?

19 **MR. FREEMAN:** Oh, absolutely. These programs  
20 are targeted towards, you know, our electric  
21 customer base, both in the municipality and in the  
22 rural areas. you know,

23 **COMMISSIONER HAMILTON:** Thank you, sir. Thank  
24 you, Madam Chair.

25 **CHAIRMAN FLEMING:** Are there any other

1 questions?

2 **COMMISSIONER MITCHELL:** I have.

3 **CHAIRMAN FLEMING:** Commissioner Mitchell

4 **COMMISSIONER MITCHELL:** And I know it's very  
5 difficult, because you present a whole new program,  
6 and I've heard people discuss this. Is there any  
7 way and do you feel like these people understand  
8 when you present your program, they might do  
9 everything you're telling them to do, as far as  
10 insulating their house, but yet the cost could  
11 continue to rise as we move into the future? Are  
12 they aware of that, or do you make that part of  
13 your presentation? I just wonder how it's  
14 presented. You present it as a saving money on  
15 their bill, but is the whole story really being  
16 told there that prices could continue to rise, even  
17 though they do everything you tell them to do? Or  
18 how do you -- is that part of this?

19 **MR. FREEMAN:** I'll defer that to you.

20 **MR. EDGE:** No, we -- in the educational  
21 process to customers, we don't get into a  
22 discussion of where energy prices might head in the  
23 future. It's specifically intended to address the  
24 measures which are installed as well as the human  
25 behavioral changes which they can take to help

1 better control their energy cost. And specifically  
2 to this program, as it's slated towards low income,  
3 there's not as strong an emphasis placed on the  
4 improvements that are going to require large  
5 amounts of capital, being the insulation  
6 improvements as an example.

7 Now, again, Gary did identify the fact that  
8 when it makes sense and when it seems like a  
9 household is a likely candidate for some of the  
10 State's weatherization programs which take the  
11 higher, more capital-intensive measures, then we  
12 try to identify those opportunities and those  
13 avenues for the residences, but we don't go into  
14 this with a created expectation that we're going to  
15 convince a low-income customer to make a multi-  
16 hundred dollar improvement in the home relative to  
17 insulation. We're really focused on the actions  
18 contained within the improvements that we're  
19 making, as well as behavioral changes.

20 **COMMISSIONER MITCHELL:** And that's where I was  
21 really going was, you know, how much influence do  
22 you -- you know, do you really entice them to do  
23 the whole thing, or maybe you can do this part and  
24 next year do something else? That's sort of where  
25 I was coming, because I've heard a lot of

1 discussion with some people as to where are we  
2 really going on this when we go out and present an  
3 entire program to conserve energy and yet the  
4 energy costs continue to rise; that's going to be  
5 very hard to explain to those people once it comes  
6 back to them a year or two or three down the road.  
7 But I guess what I'm really asking is if it's  
8 presented in minute -- on a scale that you can do  
9 this much and it'll benefit you, rather than  
10 presenting the whole package to them to say that  
11 you've got to spend x amount of dollars to make it  
12 work?

13 **MR. FREEMAN:** I think another way to answer  
14 the question would be some experiences we've --  
15 some feedback we've gotten in the Asheville area  
16 where, you know, you're kind of introducing energy  
17 efficiency and introducing things that customers  
18 can do to kind of improve, really, their comfort,  
19 you know, in the home, and hopefully through this  
20 program, you know, the exposure that you can spend  
21 a little bit of time, a little bit of money, and  
22 really improve your comfort. We had one customer  
23 in Asheville just provide us feedback back that she  
24 never realized how, you know, she was living versus  
25 how she was living once we kind of sealed the home

1 up, and you know, she just felt so much more  
2 comfortable in her home. I would hope that that's  
3 kind of a stimulus, if you will, to look towards  
4 other programs and things, you know, to kind of  
5 continue to find better ways to deploy programs.

6 **COMMISSIONER MITCHELL:** Thank you.

7 **CHAIRMAN FLEMING:** Commissioners? Yes,  
8 Commissioner Howard.

9 **VICE CHAIRMAN HOWARD:** I've looked through  
10 your PowerPoint and I didn't see it, but how many  
11 employees do you have dedicated to your EE program?

12 **MR. EDGE:** To support our Carolinas  
13 initiatives, there are approximately 22 dedicated  
14 employees. And that's -- then, of course, a lot of  
15 the implementation efforts are utilized leveraging  
16 the competencies of professional companies which we  
17 contract with to deliver certain attributes of  
18 different programs -- and I'm not really sure of  
19 how many full-time employees and/or part-time  
20 employees they have dedicated to these programs.

21 **VICE CHAIRMAN HOWARD:** Okay. I guess another  
22 question, I guess maybe following up on  
23 Commissioner Mitchell, but it's just, I'm sure,  
24 negligence on my part, which I'm used to, but I  
25 only change my filters just three times -- every

1 three months. You're saying you change the filters  
2 -- you're giving them 12 filters for a year's  
3 supply of filters? Is that what I understood you  
4 to say? So you're encouraging --

5 **MR. FREEMAN:** We're giving them 12 filters,  
6 but -- yes, sir, you know, if I look at my personal  
7 experience, I'm more like you in terms of, you  
8 know, I look at my filter on a regular basis and I  
9 determine whether it needs to be changed or not.  
10 That is part of the education process. And we say  
11 a year's worth of filters, but, I mean, I think  
12 your point is those could very well last two years  
13 or more.

14 **VICE CHAIRMAN HOWARD:** Yeah, I guess I'm more  
15 concerned about the cost. And apparently, this is  
16 being funded with stimulus money, not --

17 **MR. EDGE:** [Shaking head.]

18 **VICE CHAIRMAN HOWARD:** So this money will come  
19 out of your rates? All for the 12 filters, the ten  
20 CFL bulbs, your employees, dedicated employees.

21 **MR. EDGE:** The funds associated with these  
22 programs are created through the -- we had a  
23 proceeding middle of last year which developed a  
24 cost-recovery mechanism for investments made by  
25 utility programs.

1                   **VICE CHAIRMAN HOWARD:** Right.

2                   **MR. EDGE:** Those funds for this program are  
3 delivered through that mechanism.

4                   **VICE CHAIRMAN HOWARD:** Okay. Another  
5 question. How do you work with ORS on the energy  
6 efficiency programs and their low-income -- getting  
7 the word out with the low-income? Do you work with  
8 ORS, I guess -- do you have a working relationship  
9 with ORS on your EE program?

10                  **MR. EDGE:** Not the low-income program,  
11 specifically. I believe that was what your  
12 question was.

13                  **VICE CHAIRMAN HOWARD:** Correct.

14                  **MR. EDGE:** It's -- the material -- we provide  
15 educational material to the participants about the  
16 availability of State-managed programs, but aside  
17 from that, there's not a direct involvement by ORS  
18 or the State Energy Office, as an example, with  
19 this specific program.

20                  **VICE CHAIRMAN HOWARD:** Okay, thank you.

21                  **CHAIRMAN FLEMING:** Are there any other  
22 questions?

23                                   [No response]

24                   I wanted to ask a couple of questions in just  
25 a little bit more detail. Specifically, how do you

1 reach these low-income customers -- and I notice --  
2 I guess what I'm asking, once they're identified,  
3 you have your meeting, you still go to every  
4 resident in that area? I was looking at your -- so  
5 in addition to those efforts, you specifically make  
6 a visit to each --

7 **MR. FREEMAN:** Yes. Yes, we go door to door.

8 **CHAIRMAN FLEMING:** To each housing unit, I  
9 guess it would be.

10 **MR. FREEMAN:** Yes, ma'am.

11 **MR. EDGE:** And maybe let me expand a little  
12 bit upon that, in that, in addition to the  
13 community rally, we mail information to residents  
14 within those communities, identifying the program,  
15 and we provide some illustrations exactly what  
16 we'll be performing within the home and give some  
17 indication as to what the benefits are to the  
18 consumers. And then as we start gearing up within  
19 a community, outside of the community kickoff  
20 event, as well as contacting community leaders, we  
21 literally start placing signs on the street blocks  
22 in the week preceding the time which we'll enter a  
23 specific community, again reinforcing the fact, and  
24 then we go in and hit door hangers on the community  
25 residents. So it's just constant reinforcement

1 that our crews are in the area and that we'll be  
2 performing these functions.

3 And as well, if we happen to bypass a  
4 household within a specific community -- the  
5 importance of this program, the way it's marketed  
6 is very viral in nature. I kind of lack the words,  
7 but viral is probably the best description, because  
8 we're depending on the fact that neighbors are  
9 going to tell neighbors are going to tell neighbors  
10 about the opportunities. So we, as well, will  
11 collect names and information, and if we happen to  
12 skip a home because we weren't able to contact the  
13 resident, we'll take names and get it within the  
14 queue, and come back to the home on a previous  
15 block, as an example, until we feel like we've hit,  
16 with as much full saturation as we can, a given  
17 community.

18 **CHAIRMAN FLEMING:** And are you working closely  
19 with local governments as you do this?

20 **MR. EDGE:** Yes.

21 **CHAIRMAN FLEMING:** And what about -- I know a  
22 lot of areas have like landlord-tenant boards where  
23 people can go. I know there was a question about  
24 that. Are you utilizing those boards, if you have  
25 problems with --

1           **MR. EDGE:** I'm not personally familiar if  
2           that's a mechanism which we use.

3           **MR. FREEMAN:** Yeah, I mean, I think, if we --  
4           I'll go back to the engaging all the stakeholders.  
5           I think, as we kind of roll into this program, I  
6           think that's absolutely something that we will need  
7           to do and will do.

8           **CHAIRMAN FLEMING:** And then you're doing, it  
9           sounds like, a very impressive roll-out on the  
10          front end. Are you doing follow-up after a certain  
11          amount of time? Like, are you following up with  
12          those people to see if they are actually changing  
13          the filters, or is there a way -- are you looking  
14          at energy use goes down and then starts going up  
15          again? Are you using anything in a follow-up way  
16          to make sure it continues?

17          **MR. EDGE:** There is a quality assurance  
18          perspective of the program to ensure that our  
19          contractors are delivering the measures which we  
20          prescribed within the program, and ensuring  
21          paperwork is correct, but that's just one small  
22          component.

23          Like any of our programs, this program is  
24          subject to independent evaluation or independent  
25          evaluation, measurement, and verification, so

1           subsequently we've hired a -- or, selected a third-  
2           party independent company that comes in and does  
3           verification of the impacts of these programs, and  
4           part of that process -- there's really two  
5           components: There's a process evaluation, which is  
6           talking to customers and really gauging how well  
7           the program is working and how satisfied customers  
8           are and constituents are, relative to the program  
9           and how it's performing; and then, it's the  
10          impacts.

11                   And depending on the type of program, impact  
12           evaluation could involve billing analysis -- just,  
13           again, depending on the rigor of the program -- or  
14           it could involve contacting customers and  
15           validating whether or not those ten compact  
16           fluorescents are still installed at the home or  
17           whether they've been replaced, or whether even  
18           that's caused some relative inspiration for the  
19           customer to go out and purchase other bulbs. You  
20           know, maybe that was the seed, for the first ten  
21           bulbs, and Commissioner Mitchell alluded to the  
22           fact that maybe this is, you know, creating some  
23           other behavioral modifications.

24                   So, yes, there's the quality assurance  
25           component, and then there's the independent

1 verification component, which helps address that.  
2 Relative to us specifically engaging customers,  
3 there's currently not a follow-up plan for us to  
4 specifically engage customers about, "Hey, just a  
5 reminder," you know, a year or two later, that, "we  
6 came in your home, and here's some other actions.  
7 How are you doing?"

8 **CHAIRMAN FLEMING:** And you are projecting  
9 1,000 participants in South Carolina? Or South and  
10 North Carolina?

11 **MR. EDGE:** It's just South Carolina.

12 **CHAIRMAN FLEMING:** South Carolina.

13 **MR. EDGE:** The broader program is  
14 approximately 4,500 participants, all inclusive of  
15 this 1,000 in South Carolina and the remaining in  
16 North Carolina.

17 **CHAIRMAN FLEMING:** Okay. And also I wanted to  
18 -- we all know that energy costs are going up, but  
19 there are a lot more issues out there, as well. So  
20 are you looking at -- you said you're looking, I  
21 believe, at a way of thinking -- a cultural change  
22 in the way of thinking about the use of energy and  
23 how important -- is this kind of the underlying  
24 goal that you're seeking, to really change the  
25 mindset about the use of energy and the amount of

1 energy?

2 MR. EDGE: I'm --

3 CHAIRMAN FLEMING: I mean, I guess what I'm  
4 saying, we've been so used to --

5 MR. EDGE: Right.

6 CHAIRMAN FLEMING: -- inexpensive electricity  
7 here, that maybe we haven't really paid attention  
8 to a lot of things that could save energy, because  
9 it -- but is this really preparing us to really  
10 think -- the general population -- to think  
11 differently about energy use?

12 MR. EDGE: You know, our efforts are certainly  
13 intended to make customers aware of how they are  
14 consuming the product which we deliver, and how  
15 much we charge for that product, and available  
16 opportunities they could make to use our product  
17 more wisely and more efficiently, in a cost-  
18 efficient manner.

19 In promoting the programs, including this one,  
20 we have not engaged in a dialogue in which we've  
21 created -- we recognize there's been more  
22 volatility in prices and that with things that are  
23 happening around us, that there's a potential for  
24 energy prices to rise, and so maybe perhaps they do  
25 think of things differently. Maybe that's a

1 motivator. But that's -- you know, I think  
2 relative to driving customer participation, it  
3 really comes down to saving money, and engaging  
4 customers from the perspective of saving money.  
5 And saving money really is based upon the  
6 opportunity of which they save money today, and the  
7 investments that make money based on the pricing  
8 structure of today.

9 I'm not sure I did a very good job of  
10 answering your question directly, but is that --

11 **CHAIRMAN FLEMING:** Well, you answered it.

12 **MR. EDGE:** Okay.

13 **CHAIRMAN FLEMING:** Thank you. All right. If  
14 there are no more questions, let's move on to the  
15 next one.

16 **MR. FREEMAN:** Okay.

17 [Ref: PowerPoint Page 7]

18 Well, then, let's move on into our existing  
19 residential -- our program targeted toward existing  
20 residential customers, called our Home Energy  
21 Improvement program.

22 [Ref: PowerPoint Page 8]

23 This program is designed to, you know, promote  
24 a variety of different conservation measurements,  
25 and they range from replacement or change-out of

1 heating and air-conditioning systems, repairing  
2 ductwork and doing testing of ducts, to adding  
3 insulation and providing air sealing and window  
4 replacement. And we've designed or developed a  
5 number of rebates or incentives tied to each of  
6 these particular conservation measurements, with  
7 the idea of trying to incent customers to  
8 participate more and more in these types of  
9 conservation measures.

10 We rely on kind of our education and kind of  
11 marketing of this program, we rely heavily on our  
12 contractor network and trade allies, so we spend a  
13 lot of time with them, educating them on, you know,  
14 this particular program. And to kind of skip down  
15 to the bottom there, we go through our process.  
16 It's these trade allies and vendors and contractors  
17 that interact with the customer to utilize these  
18 various measures. So the process kind of works  
19 like this, where a customer decides he wants to  
20 employ a particular measure and contacts a  
21 prequalified contractor; they complete the work;  
22 and then there's a rebate process where the  
23 customer submits back to us a rebate; and then we,  
24 of course, pay the customer that rebate for  
25 participating in this particular measure.

1 [Ref: PowerPoint Page 9]

2 So thus far in South Carolina, we have paid  
3 out about \$35,000 in rebates. This covers 250  
4 measures. That number sounds small, but this  
5 program -- you know, we're just in the process of  
6 getting this up and running. We spent a lot of our  
7 time training contractors, and in South Carolina  
8 we've got roughly 60 contractors that we've trained  
9 and are participating in this program.

10 In 2010, we intend to continue our training  
11 efforts and marketing efforts through bill inserts  
12 and other marketing efforts. We are expecting, in  
13 South Carolina this year, to complete roughly 2,000  
14 measures, and we're thinking we're going to pay out  
15 roughly \$200-\$250,000 in rebates in South Carolina.  
16 So these programs, you know, again, just getting  
17 started, and we expect 2010 to be a good year for  
18 this program.

19 This program, like a couple of others, you  
20 know, we have seen the challenge of the economic  
21 downturn and so forth, with participation. We  
22 think with the recent weather event, that this  
23 program will -- interest in this program will begin  
24 taking off here, very soon.

25 So that's it on this program. Unless there

1 are questions on this particular program, we can  
2 move on.

3 **CHAIRMAN FLEMING:** Are there questions?

4 [No response]

5 If there are no questions --

6 **MR. FREEMAN:** Okay.

7 [Ref: PowerPoint Page 10]

8 Well, next -- you know, the last program was  
9 existing residential.

10 [Ref: PowerPoint Page 11]

11 This program targets new construction, new  
12 residential construction. This is our Home  
13 Advantage program. It's designed to complement the  
14 federal Energy Star program. What we do here, what  
15 our intent here is to incent builders to not just  
16 meet Energy Star requirements, but also exceed  
17 those requirements, so we provide incentives to  
18 builders to do that.

19 Customers, on the other hand, of these Home  
20 Advantage qualified homes receive a 5 percent  
21 discount on their electric bill, and we also  
22 provide additional incentives to builders -- and  
23 we'll go through that in a minute -- to continue  
24 moving up in terms of efficiency of the HVAC  
25 equipment. We, for kind of single-family homes,

1 site-built homes, we use the Home Energy Raters  
2 Network to support us with this program; then the  
3 flip side, with the mobile home/modular market, we  
4 use the Systems Building Research Alliance to  
5 support us in promoting this program.

6 [Ref: PowerPoint Page 12]

7 So, as far as the incentives are concerned,  
8 these are generally paid to the builder who, you  
9 know, really kind of drives the decision-making to  
10 market and sell homes, so we provide a \$400  
11 incentive to the builder to install 14 SEER  
12 equipment. On the manufactured-housing side,  
13 again, we provide a \$400 incentive, but we split it  
14 two ways; one with manufacturers, a \$300 incentive,  
15 and then \$100 to the sales part of the  
16 manufacturing business. We're finding that, you  
17 know, the manufacturers are kind of buying into the  
18 program, so we're entertaining a switch in how we  
19 provide that incentive to incent more the sales  
20 side, which is actually incenting the customer to  
21 purchase the mobile home. So, we'll probably make  
22 some potential changes to this program.

23 We also provide additional incentives. Like I  
24 said earlier, if a builder increases the efficiency  
25 of equipment to 15 SEER, there's an additional

1 rebate, \$300 per unit. We provide that for, you  
2 know, typical heat pumps, and then if you move to  
3 geothermal heat pumps, which has an even higher  
4 efficiency rating, we provide an even larger  
5 incentive.

6 Then we also, with our builders, provide them  
7 an advertising incentive based on the number of  
8 homes that they qualify under this program, to help  
9 them promote their building projects, as well.  
10 Then we also provide training and education  
11 material.

12 [Ref: PowerPoint Page 13]

13 This program has really been hit hard, harder  
14 than the rest of the programs, in terms of the  
15 economy. You know, building, new home construction  
16 is significantly off in both North Carolina and  
17 South Carolina, as you obviously know. So we have  
18 very few participants in the program thus far.  
19 We've identified and have commitments from a number  
20 of builders to move to this program, but we've got  
21 verbal commitments and we're waiting on builders to  
22 start building homes again.

23 Also, in South Carolina, we've found that  
24 we've got limited access to this Home Energy Rater  
25 Network to help promote this program, as well, so a

1 lot of our efforts now are spent towards trying to  
2 identify additional raters and different marketing  
3 channels to further promote this program. We've  
4 also scheduled training sessions in both the spring  
5 and the fall, with realtors and builders.

6 We've also struggled a little bit with the  
7 manufactured housing industry, with some timing  
8 delay to move to these higher standards, but we  
9 think we've moved beyond that. In fact, we now, in  
10 South Carolina, actually have our first Home  
11 Advantage customer signed up, and we actually have  
12 two more in the works.

13 Another challenge we are seeing coming down  
14 the road is apparently there's discussion at the  
15 federal level about even raising the Energy Star  
16 standards higher. If they raise these up to the  
17 level of the Home Advantage program, you know, we  
18 kind of lose our incentive to incent to go, you  
19 know, even higher than the Energy Star program. So  
20 I'm not sure long-term where this program goes, you  
21 know, if that's done, because the whole idea is to  
22 meet and actually exceed those construction  
23 standards, and if they kind of move up, then, you  
24 know, the question is do we continue to move higher  
25 and higher with our requirements.

1           So, a lot going on with this program. But  
2           again, the biggest challenge has been just the  
3           economy, in getting this program up and running,  
4           going forward.

5           So that's it on that program. If there are  
6           any questions, I'll take those for this program.

7           **CHAIRMAN FLEMING:** Commissioners?

8                         [No response]

9           Which of these programs do you really think  
10          you'll see the biggest improvement in energy  
11          efficiency?

12          **MR. EDGE:** The biggest improvement, or the  
13          biggest impact is the question?

14          **CHAIRMAN FLEMING:** Uh-huh.

15          **MR. EDGE:** As we forecast, the commercial and  
16          industrial energy efficiency program is likely to  
17          have the largest impact if you look at it from a  
18          comprehensive program, and second behind that will  
19          be a program which we will talk about at the end of  
20          this, of summarizing our current activities, and  
21          it's a new program that we're focused on, which is  
22          residential lighting.

23          **CHAIRMAN FLEMING:** Okay. Well, I was  
24          specifically talking about the three different  
25          residential programs --

1                   **MR. EDGE:** Okay. I'm sorry.

2                   **CHAIRMAN FLEMING:** -- that have been  
3 presented.

4                   **MR. EDGE:** From the perspective, then, of  
5 which has been presented, the largest impact we are  
6 projecting will be the existing program or the Home  
7 Energy Improvement program, as far as having  
8 impacts. And largely because of there are 1.2  
9 million eligible participants in the program across  
10 the system.

11                   **CHAIRMAN FLEMING:** Okay.

12                   **MR. FREEMAN:** Let's move next into our Solar  
13 Water Heating pilot program.

14                                   [Ref: PowerPoint Page 14-15]

15                   What we found with this program is there are a  
16 number of broad studies on solar water heating  
17 technology that have been done, but they've  
18 primarily focused on the Southwest and Florida, and  
19 there really haven't been any good studies, if you  
20 will, done in the Carolinas, you know, kind of  
21 relative to our service territory. So, thus, this  
22 pilot.

23                   And, you know, what we're focusing on are  
24 really kind of three components: We hope to  
25 quantify the impacts of typical household

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demographics on savings, meaning, you know, number of family members in a home, and that type of thing, in terms of what really drives kind of the cost-benefit analysis of solar water heating programs. Also, second, just understanding kind of the local geographics and our seasons and how that impacts the water heating program, because most of these technologies, you know, do rely on backup water heating, typically a large, 80- or 120-gallon electric hot water heater to kind of supplement water heating. But the expectation is you'll get roughly 80 percent of your hot water heater out of a solar water heater, but again, you've got backup, so the pilot should help us understand, you know, how much reliance is there on backup and, you know, how do the different seasons impact availability of sun, if you will, to, you know, heat water. And then, third, we're learning a lot more about kind of the local cost, if you will, of implementing these installations, and what we're seeing is that the cost of these installations is running roughly \$6-\$8,000. That's essentially to install these panels and the plumbing, and then this backup hot water heater, as well. So, you know, these costs vary around the country, so again, what we're



1 know, we're hoping it's enough money to entice  
2 people to participate in the program, is generally  
3 how that was designed.

4 We are trying to sign up roughly 150  
5 customers. So far, we've got 36. We've only got  
6 one in South Carolina, and what we are finding is,  
7 it's been difficult to identify what we consider  
8 our authorized dealers to install these systems.

9 You know, we're being careful to identify, you  
10 know, certified dealers that have adequate  
11 insurance and have had some experience installing  
12 solar water heaters, as part of our program. We're  
13 also finding that a lot of these installers are  
14 focusing their efforts more on the commercial side  
15 where, for them, there's a lot more margin in the  
16 installations than there is on the residential  
17 side. So we are struggling as of now to get to  
18 this 150-participant level.

19 [Ref: PowerPoint Page 17]

20 So our plan is to continue to identify  
21 installers and authorize them. Our goal is to  
22 continue to accept participants up to this 150  
23 number. We've got an e-mail marketing campaign  
24 starting later this month, and in South Carolina  
25 we've identified about 2,000 potential customers.

1 We've identified them through some demographic  
2 studies that we've done on customers that would  
3 likely be interested in participating in this  
4 program, all with an effort to try and get more  
5 participation from around our South and North  
6 Carolina service territories. And also we're  
7 relying on word of mouth with our contractors.

8 As we move further into this year, we will  
9 select a number of these customers to install  
10 monitoring equipment to kind of do the quantitative  
11 analysis of the program, as well, and our plans are  
12 to monitor for roughly a year and then provide both  
13 an interim report, kind of the middle of this  
14 summer, and then a final report middle of next year  
15 on our findings. That report will be available for  
16 everybody to see and understand how solar water  
17 heating opportunities exist in South Carolina and  
18 North Carolina.

19 So that's a quick overview of where we are  
20 with the water heating program. I'll open it up  
21 for questions on that program, as well.

22 **CHAIRMAN FLEMING:** Are there any questions?

23 **COMMISSIONER WHITFIELD:** Yes, Madam Chairman.

24 **CHAIRMAN FLEMING:** Yes, Commissioner  
25 Whitfield.

1           **COMMISSIONER WHITFIELD:** Thank you. Could you  
2 explain what you're talking about, about the backup  
3 hot water heater and how -- a little bit more in  
4 depth how that'll work? Because I mean, if you're  
5 -- I understand if you've got the solar system in  
6 place, you're going to obviously use less kilowatt-  
7 hours, but how is that -- if you still have the  
8 other one in place, how is that saving -- I mean,  
9 explain, if you could, how that's working.

10           **MR. FREEMAN:** Well, again, there are a number  
11 of different solutions out there. The one I was  
12 particularly referring to is, you heat the water,  
13 or you, through another, I'll call it, transfer  
14 mechanism, you transfer the heat from your panel  
15 into your water, and then you need a device to  
16 store that water, so generally you have a large  
17 storage tank, you know, to store that water. But  
18 then if you go for a number of days without  
19 sunshine or whatever, you need that backup. I  
20 mean, generally, systems accommodate a backup  
21 system.

22           So generally, what we're seeing is, you know,  
23 the customer will purchase a larger electric water  
24 heater -- because you don't need it very much, so  
25 electric water heating makes sense -- but it's an

1 80-to-120-gallon tank, so that you get -- you know,  
2 you've got enough hot water capacity to kind of  
3 meet your needs every day, and then --

4 **COMMISSIONER WHITFIELD:** Okay.

5 **MR. FREEMAN:** -- build up your water again.  
6 And then, you know, again, it's there for backup  
7 reasons.

8 **COMMISSIONER WHITFIELD:** Right, okay.

9 **MR. FREEMAN:** Really, for two reasons, storage  
10 and backup.

11 **COMMISSIONER WHITFIELD:** Okay. Thank you.

12 **CHAIRMAN FLEMING:** You said -- it sounds like  
13 you're having -- there are limited people qualified  
14 to do these installations. Is there a program out  
15 there to train and get more contractors up to par,  
16 and become certified?

17 **MR. FREEMAN:** I'm not sure if there is.

18 **CHAIRMAN FLEMING:** I didn't mean just Progress  
19 Energy; I meant --

20 **MR. FREEMAN:** That's a great question that,  
21 you know, may need to be part of this program, you  
22 know, if it develops into a real program. I mean,  
23 that's clearly a deficiency that we're seeing  
24 today.

25 **CHAIRMAN FLEMING:** Because they're absolutely

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important to the success of these projects, also.

**MR. FREEMAN:** Oh, absolutely. Absolutely.

Any other questions?

**CHAIRMAN FLEMING:** Are there any others?

[No response]

**MR. FREEMAN:** All right.

[Ref: PowerPoint Page 18-19]

Let's move on to our EnergyWise program. This is our residential load-control program where we actually install devices at the customer's home to reduce their electric demand during peak times. And this program, probably more directly than any other program, really benefits our resource planning, in terms of supplementing our needs over the peak summer hours and peak winter hours.

We anticipate only using this program for short periods of time in the summer and the winter. And, again, these are installed on people's -- outside their home, on their air compressors -- I mean, their compressors with their HVAC system.

[Ref: PowerPoint Page 20]

This program is available to residential customers only. One of the struggles we've had is identifying -- you know, it operates off, essentially, a paging system similar to what we

1 historically have had, you know, as a paging  
2 system. So making sure that we've got adequate  
3 signal is an important part of this program.

4 I'm going to skip a little bit because we're  
5 going to be running out of time here, if we're not  
6 careful. But, we provide, as an incentive to  
7 participate in this program, a \$25 incentive, and  
8 we commit to limiting the amount of times that we  
9 operate this program to no more than four hours a  
10 day at certain times of the year, generally in the  
11 summertime.

12 [Ref: PowerPoint Page 21]

13 We launched this program in South Carolina in  
14 October, and to date we have 500 customers signed  
15 up. What we've seen is, we generally use the  
16 direct mail campaign to solicit customers, and you  
17 think, okay, 3-1/2 percent response rate doesn't  
18 sound very good, but when you look at direct mail  
19 campaigns, you really only expect 1 to 2 percent,  
20 so, I mean, this is a phenomenal response rate for  
21 this type of a campaign. So response and interest  
22 in this program has been extremely high.

23 Our efforts thus far have been spent both on  
24 soliciting customers, but also kind of building out  
25 this paging communication network.

1 [Ref: PowerPoint Page 22]

2 So in 2010, kind of to build on those two  
3 points, we are hoping to grow the program in South  
4 Carolina to 3-4,000 customers, and then expand the  
5 paging coverage to cover the remaining areas in  
6 South Carolina, mainly Sumter, Cheraw, Kingstree,  
7 and Lake City. And when we finish that, we should  
8 be achieving close to 100 percent coverage for this  
9 program.

10 So that's a quick review of that program. Are  
11 there any questions?

12 **VICE CHAIRMAN HOWARD:** I've got one.

13 **CHAIRMAN FLEMING:** Yes, Commissioner Howard.

14 **VICE CHAIRMAN HOWARD:** Maybe I misunderstood  
15 you, but the interruption you have on your --  
16 summer season, May to September. Will you all have  
17 any interruptions in the winter season, or is that  
18 too risky?

19 **MR. FREEMAN:** No, I wouldn't say it's  
20 necessarily too risky, but we are a summer --  
21 generally, a summer peaking utility, so the need is  
22 more summer based. So all we're doing at this  
23 point with the program is switching the outside  
24 compressor unit.

25 **VICE CHAIRMAN HOWARD:** Okay. Well, didn't I

1 read where you all reached your peak record last  
2 week -- last couple of weeks?

3 **MR. FREEMAN:** Winter peak, yes, sir. Yes,  
4 sir.

5 **VICE CHAIRMAN HOWARD:** All right. Thank you.

6 **CHAIRMAN FLEMING:** Just an observation, \$25 is  
7 not a lot of money over a year of bills, so I would  
8 say that the mindset is really changing out there.  
9 It sounds to me like, with this kind of response,  
10 they really are wanting to do it to provide some  
11 measure of energy efficiency.

12 **MR. FREEMAN:** I generally agree. I think it's  
13 kind of easier to describe the tie to participating  
14 in this program to, you know, emissions and power  
15 plant construction and that kind of thing, so I  
16 think it's been an easier program to kind of link  
17 the pieces together, if you will.

18 [Ref: PowerPoint Page 23-24]

19 Let's move on into the business side. We're  
20 going to present two programs here. The first is  
21 the Energy Efficiency for Business, and I'm going  
22 to keep trying to move us through this a little bit  
23 faster. This program really kind of focuses on  
24 kind of two components: a prescriptive component,  
25 as we call it, and a custom component. And most of

1 the participation thus far has been on what we call  
2 the prescriptive side, where you do certain things,  
3 like change out fluorescent light bulbs, and you  
4 receive so many cents or so many dollars for each  
5 of those particular measures.

6 What we've seen thus far is roughly about 90  
7 percent of the measures employed here have been all  
8 related to lighting. What we found is that there's  
9 a lot of older, inefficient kind of fluorescent  
10 lighting out in our businesses and industries, and  
11 a lot of the effort has been just upgrading and  
12 changing out the lighting technology. We are  
13 marketing this program, like others, through trade  
14 allies and contractors, and, you know, thus far,  
15 we've launched the program and we've been training  
16 vendors now.

17 [Ref: PowerPoint Page 25]

18 If you look at accomplishments to date, we're  
19 just getting started with this program. We've  
20 roughly completed a little over 16,000 measures.  
21 Again, most of those are lighting. We paid out a  
22 small amount of rebates, and we've had four  
23 projects in South Carolina, and you see those  
24 listed there.

25 [Ref: PowerPoint Page 26]

1           But what we're seeing going forward is we've  
2           got a lot of projects kind of in the pipeline. It  
3           takes awhile to develop these projects. You've got  
4           to get customer funding, you've got budget issues,  
5           but we're seeing this program really starting to  
6           take off here in 2010, so -- if you look at the  
7           second point there, we've got about 1.8 million  
8           kilowatt-hours in savings and projects already  
9           identified. And with those projects, we're already  
10          committed to pay out roughly \$200,000 in incentives  
11          here in early 2010.

12          We're also starting to work a lot with the  
13          school systems and with ARRA, you know, federal  
14          stimulus money, to kind of complement these  
15          programs, as well. So, the program got off to a  
16          slow start, I think just for logical reasons,  
17          dealing with some of these commercial customers,  
18          but this program is really poised to move forward  
19          this coming year.

20          So are there any questions on that program?

21          **CHAIRMAN FLEMING:** Are there any questions?

22                   [No response]

23          **MR. FREEMAN:** Let's move quickly then through  
24          the Demand Response Automation.

25                   [Ref: PowerPoint Page 27]

1           Somewhat similar to the residential EnergyWise  
2           program, although this is less prescriptive. On  
3           the residential side, all we're doing is providing  
4           switching for air-conditioner compressors. This  
5           program focuses more broadly on commercial  
6           applications for managing demand. So we target  
7           standby generation, HVAC, and other kinds of what  
8           we call noncritical, interruptible processes within  
9           a commercial operation.

10           We do limit availability to customers with at  
11           least 200 kilowatts of peak demand. Also, with  
12           this program, similar to the residential program,  
13           we commit to limiting the control events, but in  
14           this case we also commit that we will use this  
15           program a minimum number of times.

16           This program has a number of levels of  
17           incentives, as you can see on the bottom, where you  
18           have the participation or installed incentive, and  
19           then there's a monthly incentive, and then there's  
20           incentive also included when we actually use this  
21           program. So there are significant savings that  
22           customers can see with this incentive structure,  
23           going forward.

24                           [Ref: PowerPoint Page 28]

25           Activity to date, in South Carolina we do not

1 have any customers participating at this time, but  
2 we are seeing interest and activity with a number  
3 of customers, as we've identified here: a  
4 hospital, Lowe's Home Improvement Centers. So,  
5 again, this, being a commercial program, it takes a  
6 little longer to kind of get these customers in the  
7 pipeline and get them to move through this program,  
8 especially when they're having to, you know, in a  
9 lot of cases, purchase standby generation and other  
10 fairly high-cost equipment to install with the  
11 program.

12 We continue to market this program, and we've  
13 got lunch-and-learns set up in the Florence area to  
14 continue to expose this program to our customers.

15 So with that, we are through with our existing  
16 programs that you approved last year. I don't know  
17 if it makes sense to open up for more questions  
18 now, or move straight into Chris's presentation  
19 where we go through some programs that we're  
20 looking to file here shortly.

21 **CHAIRMAN FLEMING:** Are there any additional  
22 questions? Commissioner Howard.

23 **VICE CHAIRMAN HOWARD:** Just curiosity, what's  
24 your attitude towards Wal-Mart -- from Wal-Mart  
25 towards your program? Wal-Mart seems to really be

1 up on energy efficiency in their corporate setup.  
2 Your local Wal-Marts, have they agreed to  
3 participate, or is there any conversation with them  
4 about your programs?

5 **MR. FREEMAN:** Good question for your next  
6 programming.

7 **MR. EDGE:** You'll probably remember, as well,  
8 Wal-Mart was an intervenor in our cost-recovery  
9 mechanism, as well. To date, I'm unaware of any  
10 specific interest in Wal-Mart. I will admit, to my  
11 knowledge, Wal-Mart is probably one of the most  
12 aggressive companies there are, relative to their  
13 investments in efficiency on their own properties.  
14 And largely, they, I think, had an interest in  
15 keeping it that way, as well. So there has not  
16 been a specific interest, to my knowledge, in  
17 either the efficiency programs or demand-response  
18 programs, as of this date.

19 However, we have touched some other big-box  
20 retailers who probably are less recognized relative  
21 to their previous investments, and we think the  
22 programs are certainly applicable to a retail type  
23 customer who has not already made some of those  
24 changes themselves through their own investments.

25 **VICE CHAIRMAN HOWARD:** Thank you.

1                   **CHAIRMAN FLEMING:** All right. If there are no  
2 other questions, if you would continue.

3                   **MR. EDGE:** Sure. And I really wanted to take  
4 the opportunity to just briefly describe two new  
5 programs that we'll be submitting before this  
6 Commission here in the next couple of weeks.

7                                   [Ref: PowerPoint Page 29]

8                   The first is a Residential Lighting program.  
9 And although I will talk a lot about compact  
10 fluorescents, and essentially the premise of this  
11 program, at least initially, will be a focus on  
12 compact fluorescents, we largely want to create a  
13 market channel and the customer opportunities so as  
14 new technologies become cost-effective -- as an  
15 example, solid-state lighting or LED type  
16 technologies, we would simply incorporate those  
17 into the market channel and the program that we've  
18 existed -- or, that we've created.

19                                   [Ref: PowerPoint Page 30]

20                   So I first wanted to present a quick snapshot  
21 of, well, why would we pursue this, because we  
22 probably all recognize that as we go through our --  
23 in our big-box retail store or grocery store, that  
24 there's availability of compact fluorescents.  
25 However, as we start looking back to the market

1 data, and particularly the saturation data, it  
2 still demonstrates to us that there is a real large  
3 opportunity for investment in residential lighting  
4 programs, really throughout the United States, but  
5 particularly within the Southeast, and this is an  
6 example. It provides a snapshot of what the  
7 current saturation is, by state.

8 The average US home has 4.4 compact  
9 fluorescent bulbs. This is based on a 2008 study.  
10 In South Carolina, the average is 2.9. And this is  
11 fairly proportionate to the amount of investment  
12 that's been made through investments in utility-  
13 administered programs on CFL spending, as you can  
14 see, so the bottom quadrant over here is a  
15 predictor of how much money has traditionally been  
16 funded through these programs, and then the top  
17 left is an example of saturation by color coding.  
18 Of course, we did it in black-and-white, so I'm not  
19 sure the colors are helpful.

20 This 4.4 US average, by the way, represents  
21 roughly only 11 percent of the sockets, the  
22 available sockets, that have yet been saturated  
23 with a more high-efficient lighting. And for those  
24 of you who are not familiar with compact  
25 fluorescents, compared to its equivalent

1 incandescent bulb, in lumen output, it saves 75  
2 percent -- uses 75 percent less energy than its  
3 incandescent equivalent.

4 [Ref: PowerPoint Page 31]

5 So the program is focused and targeted towards  
6 the promotion of, initially, again, compact  
7 fluorescent bulbs, but high-efficient lighting  
8 opportunities for residential customers. It's a  
9 very broad program in its nature. The best  
10 description is a buydown/markdown program, so that  
11 for participating retail outlets, a customer -- and  
12 a participant essentially will have access to the  
13 program through a discounted bulb at the time of  
14 purchase. And by "retailer," as we get this  
15 program up and running throughout the system, we're  
16 talking about 400 to 500 different retailers  
17 simultaneously participating in the program, so  
18 this is very, very far-reaching.

19 It was intended in design so that we reach not  
20 only the municipal communities, but the rural  
21 communities that were mentioned before, so that  
22 we're able to reach all income brackets, as well,  
23 throughout the program. So we're targeting home-  
24 improvement stores, warehouse stores, but we're  
25 also looking at the ma-and-pa hardware stores, and

1 in addition to grocery stores.

2 Why did we choose a buydown/markdown program?

3 It was essentially because of ease. Studies show  
4 that the majority of lighting purchases are made by  
5 residential consumers -- over 70 percent of those  
6 purchases are made as a thought at the aisle.

7 People don't set out their family -- pile up the  
8 family, get in the car and say, "Let's go buy light  
9 bulbs today." They go to a big-box retailer, they  
10 go to a grocery store, and while they're there,  
11 they make a decision that, "Hey, you know, I had a  
12 bulb burn out," or, you know, "Let's try out these  
13 new bulbs." So we feel that it's important to not  
14 only present the opportunity to the consumer at the  
15 retail outlet, but it's also the opportunity to  
16 address the education, because we feel like that's  
17 a huge market barrier in the acceptance of these  
18 new technologies, is people are intimidated by the  
19 technology, they've had a bad experience either  
20 through the initial early introduction of the  
21 technology because of the color rendering or the  
22 fact that it had some flicker. So in addition to  
23 providing the incentive at the retail counter,  
24 there's also a large effort into educational  
25 materials, so not only will there be pamphlets and

1 different materials about how to apply bulbs, but  
2 in addition to that we'll have a lot of consumer  
3 activity throughout the South Carolina service  
4 territory as far as in-store events or community  
5 events, trying to acknowledge the opportunities  
6 that are available to consumers.

7 [Ref: PowerPoint Page 32]

8 The bulb -- it's not just initially about the  
9 compact fluorescent, traditional spiral bulb that  
10 we often think of. It is intended to reach single  
11 and multipack applications. A real large  
12 opportunity is to start, you know, in addition --  
13 to really get beyond that 11 percent saturation  
14 that I mentioned before, it's the first focus on  
15 your very traditional incandescents, but as well as  
16 starting attacking the opportunities because  
17 there's really some great products that are  
18 available in the specialty bulbs. So there's new  
19 dimmable products that are out there, there's  
20 three-way products that are out there, and encased  
21 in all different shapes and forms.

22 So the program, again, is very far-reaching  
23 through multiple retail outlets throughout our  
24 service territory in South Carolina, both rural and  
25 municipal, and it's intended to address the

1 lighting opportunities not only in our very  
2 traditional common sense, but as well as specialty  
3 applications.

4 So I pose that with the opportunity to answer  
5 questions about the program that you might have.

6 **CHAIRMAN FLEMING:** Are there any questions?

7 All right. Mr. Melchers.

8 **MR. MELCHERS:** Thanks. With your compact  
9 fluorescent program, have you all looked into  
10 products from different manufacturers as to which  
11 you will distribute?

12 **MR. EDGE:** Yes, there --

13 **MR. MELCHERS:** Or do you find a variation  
14 between the efficiency or the lumen level?

15 **MR. EDGE:** Yes, we -- the baseline -- well,  
16 there will be multiple manufacturers that are  
17 represented in the program, first of all. And the  
18 basis for the selection of those manufacturers  
19 were, one, their interest and their participation,  
20 as well as their retail reach, but as well, we're  
21 requiring that any bulb that's promoted in this  
22 program meet a new Energy Star standard, which is  
23 the new Energy Star 4.0 standard that was adopted  
24 back in early 2009. So that should help to ensure  
25 that the negative barriers as far as quality of

1 product is eliminated, so there's going to be a lot  
2 more rigorous standards that are enforced by DOE in  
3 order to meet that Energy Star 4.0 standard, and  
4 that's a criteria of manufacturer selection, as  
5 well.

6 **MR. MELCHERS:** Great. Thank you.

7 **CHAIRMAN FLEMING:** Yes, Commissioner Hamilton.

8 **COMMISSIONER HAMILTON:** Tell me where the LED  
9 -- where the LED lights are in this process and how  
10 far along are they, for residential use?

11 **MR. EDGE:** Is it the merc- -- I'm sorry.

12 **COMMISSIONER HAMILTON:** The new one that we  
13 hear all about now, the -- what -- L-E-Ds.

14 **MR. EDGE:** The LED, okay. I was thinking  
15 harmful pollutants, and I couldn't put two and two  
16 together.

17 [Laughter]

18 The LEDs are -- they're very promising. I  
19 believe the technology -- I am personally observing  
20 the introduction of new products that are available  
21 to consumers -- there's yet to be a standard  
22 available for residential application. However, I  
23 am observing that even in some of the warehouse  
24 locations where I live, as an example, you're  
25 starting to see it. I'm a little fearful that the

1 early introduction of the product very well could  
2 create yet another negative barrier in consumer  
3 experience, if we as an industry and as a society  
4 don't take time to ensure that -- because while it  
5 might be a letter light and a better light  
6 application, I think the consumer inevitably is  
7 going to compare it to their traditional  
8 experience, which is an incandescent bulb. So the  
9 output, the experience, the quality of light, the  
10 color rendering, is essentially going to have to  
11 match that of an incandescent bulb; whether it's  
12 the best or not the best, it's what the consumer  
13 experience is going to drive. And for that fact, I  
14 think the LED probably is still a couple of years  
15 away to where it has a pure residential application  
16 that's almost seamless from the perspective of the  
17 residential customer.

18 Now, LEDs are very, very promising, in that  
19 they're already starting to get -- have very  
20 commercial, viable applications on the commercial  
21 sector, largely because, one, you have a huge  
22 opportunity for maintenance savings, as well as the  
23 energy savings. In commercial application, the  
24 load factor's much higher. So we're starting to  
25 see it in pretty -- more readily in things like

1 parking garages, as an example. LEDs are almost  
2 common in refrigerant cases at the grocery stores,  
3 or something like that, and there's some heat gain  
4 as well. But I still think they're a couple of  
5 years away from a true -- having a true competitive  
6 residential application.

7 **COMMISSIONER HAMILTON:** What's the cost  
8 factor?

9 **MR. EDGE:** I don't know that offhand. There  
10 still is a cost factor, though, relative to compact  
11 fluorescents, and that's what this is largely  
12 trying to do is not only the education of the  
13 consumer, but provide an incentive that puts the  
14 compact fluorescent more in line with an  
15 incandescent bulb. In fact, it's kind of  
16 surprising that the economic conditions that we've  
17 experienced in this country over the past two  
18 years, that CFLs have lost market traction in the  
19 past two years. Sales are less -- their amount of  
20 market saturation in retail sales have been less on  
21 CFLs for the past two years than they were the  
22 previous years prior to the current economic  
23 conditions. So you might question as to -- you  
24 know, it's still a large barrier; the financial  
25 barrier is still even a large barrier on a \$3

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purchase.

**COMMISSIONER HAMILTON:** Thank you. Thank you, very much.

**CHAIRMAN FLEMING:** Yes, Commissioner Wright.

**COMMISSIONER WRIGHT:** Talk to me about the pollutant stuff you were going to --

**MR. EDGE:** Well, yeah, I gave you that one, didn't I? Kind of lobbed it over there.

[Laughter]

**COMMISSIONER WRIGHT:** Right, and I'm lobbing it right back.

**MR. EDGE:** The -- certainly, there has -- another barrier to adoption has been what I might phrase as a misconception, but that, you know, in order for a compact fluorescent to work, there is mercury that's contained within the bulb, and part of that is the requirement of illumination.

I think a large opportunity that exists to educate the consumer and public is that it's maybe not as great as that has been made out to believe. I believe that, if you look at your traditional thermometer that we -- you know, I continue to stick in my children's mouth to check their fever, it contains over 900 times the amount of mercury in that one thermometer than what is contained within

1           one CFL bulb. However, I'm not eroding the fact  
2           that it still does contain mercury.

3           So, an opportunity and a highlight of this  
4           program -- and we probably -- I'm not even sure if  
5           I included it here -- is to identify and educate  
6           consumers on the opportunities that are available  
7           as far as the recycling options within their given  
8           areas, whether that's through municipal waste  
9           opportunities, based on certain communities, and  
10          there are certain retailers who have expressed an  
11          interest and that will be participating in a  
12          program that have recycling opportunities available  
13          in the retail outlets, too, and that's a high  
14          priority for us in choosing retailers, as well.

15          So we'll address it through education, as well  
16          as trying to align ourselves with retailers that  
17          provide the recycling opportunities for the bulbs.

18                 **CHAIRMAN FLEMING:** Any other questions?

19                         [No response]

20                         [Ref: PowerPoint Page 33-34]

21                 **MR. EDGE:** And then, next is a program that we  
22                 like the creative name so we're going to call it  
23                 Appliance Recycling, because that's what it is;  
24                 it's a residential appliance recycling program.  
25                 And the focus of this program is really to

1 accelerate the retirement of older, inefficient  
2 appliances, and specifically we're limiting this to  
3 refrigerators and freezers.

4 If we reflect upon the market saturation data  
5 within our service territory, over 14 percent of  
6 our residential customers have a second  
7 refrigerator that's either in a basement or in  
8 their garage. Over 40 percent have a second stand-  
9 alone freezer that's either in their basement or  
10 garage. So this program -- and generally, these  
11 refrigerators or freezers were once their primary  
12 refrigerators that were highly inefficient and that  
13 subsequently, when they updated that probably for  
14 other reasons than efficiency, they just replaced  
15 and put a new one in their kitchen and put the less  
16 efficient one in their garage to cool down their  
17 adult beverages, as an example. So the focus of  
18 this is to focus on the premature -- or, to focus  
19 on the accelerated retirement of refrigerators.

20 [Ref: PowerPoint Page 35]

21 The mechanism which it works -- you know, our  
22 objective is to focus on the annual energy savings,  
23 and it does provide a large opportunity for  
24 savings. From the participant, we believe that it  
25 needs to be convenient, and there, as well, needs

1 to be an opportunity or an incentive available to  
2 the participants.

3 So from the participant perspective, we're  
4 providing a \$50 cash incentive for the collection  
5 of that unit, as well as we provide the collection  
6 and recycling of the unit. So we'll literally -- a  
7 participant identifies that they would like to  
8 enroll; we'll show up through a scheduled  
9 appointment at their premise. We have to ensure  
10 that it's an operating refrigerator; we will not  
11 take and dispose of, recycle, ineffective ones, so  
12 one of the things we do is we get there and we  
13 check out to ensure that the compressor is running.  
14 We, as well, will render later a \$50 incentive  
15 check, and then what we do is take and dispose and  
16 ensure that that refrigerator -- in fact, we  
17 recycle 95 percent of the materials associated with  
18 that refrigerator and/or -- we responsibly recycle,  
19 as well -- either that freezer or the  
20 refrigerators. We'll take the metals, we'll take  
21 the plastics, we'll recycle those. We'll ensure  
22 that any PCB contaminants -- make sure that they  
23 show up where they're supposed to, and as well as  
24 any of the refrigerants, as well.

25 [Ref: PowerPoint Page 36]

1           The final page, in fact, that's included in  
2           your presentation is just an example. I think --  
3           it was very enlightening to me as we started  
4           planning this program, where 95 percent of these  
5           materials went, and this is just a schematic that  
6           gives you some example of where those materials go.

7           We anticipate, in operating this program,  
8           we're targeting projections of roughly 1 percent of  
9           our service territory per year, as a participant  
10          base, over at least the first five years of  
11          projections, and that's based on benchmarks of  
12          other programs. There's approximately 40 to 50  
13          other programs nationwide, utility-administered  
14          programs nationwide, that are running very similar  
15          programs and have had well-founded success in a  
16          program like this.

17                 **CHAIRMAN FLEMING:** What's the age of an older  
18                 refrigerator or freezer?

19                 **MR. EDGE:** We classify that as over ten years  
20                 old, is really where we're targeting. There have  
21                 been some very aggressive improvements in the  
22                 efficiency of refrigerators over the -- you know,  
23                 up to about ten years old. It doesn't mean that --  
24                 we don't draw that as a barrier. We're not going  
25                 to go check the name plate and say your

1 refrigerator is only three years old, but we're  
2 really targeting -- and based on the market data we  
3 have, it's over ten years old.

4 **CHAIRMAN FLEMING:** Because I heard something  
5 the other day about anything over seven years  
6 was --

7 **MR. EDGE:** Over seven?

8 **CHAIRMAN FLEMING:** Uh-huh, needed to be  
9 replaced.

10 **MR. EDGE:** [Nodding head.]

11 **CHAIRMAN FLEMING:** How about HVAC?

12 **MR. EDGE:** We currently are not targeting HVAC  
13 equipment, or any other white goods at this point.

14 **CHAIRMAN FLEMING:** But do you know what an age  
15 would be?

16 **MR. EDGE:** Oh, for an efficient unit?

17 **CHAIRMAN FLEMING:** Uh-huh.

18 **MR. EDGE:** I don't. I mean, "efficient" again  
19 would be a relative term, and certainly standards  
20 have changed to where now, you know, a SEER 13, as  
21 an example, is your baseline standard.

22 **CHAIRMAN FLEMING:** And when did that come into  
23 effect?

24 **MR. EDGE:** I believe it was a couple of years  
25 ago.

1                   **CHAIRMAN FLEMING:** So any -- so it could even  
2                   be comparable.

3                   **MR. EDGE:** Right. But we also recognize that  
4                   -- we've sort of hinted around to it on a couple of  
5                   different occasions as to what motivates an  
6                   individual customer to replace their appliance. An  
7                   HVAC equipment or program which we designed is to  
8                   focus on -- and the incentives that we're providing  
9                   to the program that Gary described to you -- is to  
10                  focus on the time that the -- it's very unlikely  
11                  that a consumer is going to replace their unit  
12                  until it fails. So we're focused on making sure  
13                  that the transaction at the time of failure, we  
14                  take every opportunity to encourage a customer to  
15                  invest at even a higher level than the baseline  
16                  efficiency at the time of failure.

17                  Even though we are providing some very  
18                  aggressive incentives for the improvements in HVAC,  
19                  it's still requiring a participant cost of  
20                  \$4-5,000, you know, as an example, so we recognize  
21                  that -- and really, one of the very, very large  
22                  barriers to promoting efficiency in the residential  
23                  consumer base is recognizing that there's this  
24                  economic principle of scarcity, that we just don't  
25                  print money and that the likeliness is that most of

1 our consumers don't have any more available,  
2 disposable income the day that they're making these  
3 purchases, so they're limited on the available  
4 capital which they spend, and they're having to  
5 displace something that they were otherwise going  
6 to be spending in order to make an investment in  
7 efficiency. So, as an example, in HVAC we're  
8 pretty well-founded that consumers are going to  
9 make it at the time that their unit retires, or at  
10 the time that it's broken and it's time to replace.

11 **CHAIRMAN FLEMING:** Okay. Are there any other  
12 questions?

13 [No response]

14 Do you all have anything else to present to  
15 us?

16 **MR. EDGE:** No, from my perspective. We really  
17 appreciate the opportunity to come and update you  
18 about what we're doing and where we're headed.  
19 We're real -- hopefully, you can understand our  
20 excitement in our early program launch and about  
21 things we have coming down the road. We are  
22 committed to continue to evolve our portfolio, look  
23 at new program opportunities, refine those we've  
24 launched. Some might be perfect, some might not  
25 be. And we're committed to making sure that we get

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the most cost-effective improvements we can.

**CHAIRMAN FLEMING:** And you'll be coming back to us to --

**MR. EDGE:** We would like to continue that dialogue, yes.

**CHAIRMAN FLEMING:** Yes, we'd like to see how you're progressing along the way, and the benchmarks that are being set.

Well, this has been most informative and educational, and we really appreciate this and would like to see you back on a regular basis to keep us informed of the programs and what you're thinking about recommending. Thank you, very much, for being here today.

**MR. FREEMAN:** Thank you.

**MR. EDGE:** Thank you.

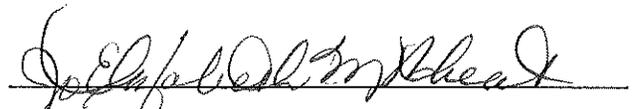
**CHAIRMAN FLEMING:** At this time, this meeting is adjourned.

[WHEREUPON, at 11:57 a.m., the proceedings in the above-entitled matter were adjourned.]

C E R T I F I C A T E

I, Jo Elizabeth M. Wheat, CVR-CM-GNSC, do hereby certify that the foregoing is, to the best of my skill and ability, a true and correct transcript of all the proceedings had in an allowable ex parte briefing held in the above-captioned matter before the Public Service Commission of South Carolina.

Given under my hand, this the 20th day of January, 2010.

  
Jo Elizabeth M. Wheat, CVR-CM-GNSC

ATTEST:



Charles L. A. Terreni  
CHIEF CLERK/ADMINISTRATOR