

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

HEARING #11-11189

APRIL 19, 2011

2:30 P.M.

ALLOWABLE EX PARTE BRIEFING

REQUESTED BY SOUTH CAROLINA ELECTRIC & GAS COMPANY - PILOT WEATHER
NORMALIZATION ADJUSTMENT MECHANISM

**TRANSCRIPT OF TESTIMONY
AND PROCEEDINGS**

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APPEARANCES:

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representing SOUTH CAROLINA ELECTRIC & GAS COMPANY

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P R O C E E D I N G S

CHAIRMAN HOWARD: Y'all please be seated.

We'll call this ex parte briefing to order. And I guess Mr. Burgess -- well, I'll let Mr. Melchers read the docket first.

MR. MELCHERS: Thank you, Mr. Chairman, Commissioners. This briefing is being held pursuant to Notice of Request for Allowable Ex Parte Communication Briefing filed by South Carolina Electric & Gas Company, to be held today in the Commission's hearing room, April 19th, at 2:30. And the subject matter to be discussed at this briefing is the pilot weather normalization adjustment mechanism. Thank you, Mr. Chairman.

CHAIRMAN HOWARD: Okay, Mr. Burgess, now it's your turn.

MR. BURGESS: Thank you, Mr. Chairman. Good afternoon, Mr. Chairman, Vice Chairman Wright, and members of the Commission. My name is Chad Burgess and I'm corporate counsel for SCE&G. And with me today is Dr. Joseph Lynch. Dr. Lynch is our manager of Resource Planning -- and I'll turn this over to him in the next couple of minutes, but before I do, I just wanted to set the table with the Commission, just to refresh your memories as to

1 how we got to this point where we are, if that's
2 okay with you, Mr. Chairman.

3 Originally, SCE&G had filed a general rate
4 case in '09 and we ultimately had public hearings
5 in 2010. And in addition to those hearings, we had
6 conversations with several parties who intervened
7 in that case, and we ultimately brought a
8 recommendation to this Commission in the form of an
9 electric weather normalization adjustment
10 mechanism, which we commonly refer to as an eWNA.
11 And in conjunction with that eWNA, we had back-
12 tested, if you will, the functionality of that
13 particular mechanism, and realized that customers,
14 if the eWNA had been in place in the first quarter
15 of 2010 -- you may remember that we had some pretty
16 cold weather in the first part of 2010 -- had that
17 WNA mechanism been in place, our customers would
18 have been credited approximately \$22½ million on
19 their bills for the first quarter of 2010, and the
20 Company rounded that number up to \$25 million. So
21 part of the recommendation for approving the WNA
22 process mechanism was also to approve the
23 recommendation to allow the Company to credit
24 customers' bills, going forward, in the amount of
25 \$25 million, and we are doing that now, pursuant to

1 the recommendation that was approved by this
2 Commission last year.

3 When the Commission approved the
4 recommendations that the Company and parties had
5 brought to it, the Commission also required us to
6 do a couple of things, and one of those was -- a
7 very important one -- was to advise our customers
8 as to how the WNA process would work, and we've
9 done that, and Dr. Lynch is going to explain to you
10 what we've done so far as educating our customers
11 in that regard.

12 We also are required to provide monthly
13 reports to this Commission, and we've been doing
14 that as well, since -- reporting since August of
15 2010. And this Commission had required us to
16 implement the WNA no later than the first billing
17 cycle of October of 2010. We've done that,
18 actually sooner than we were required to do so,
19 back in August of 2010.

20 And then, finally, we were required to file a
21 comprehensive report, and we will do that later
22 this year. That report is required to be filed
23 after we've got a year of the pilot under our belt,
24 which will be around the August-September timeframe
25 later this year, so we'll be coming back to the

1 Commission with a comprehensive report to report on
2 everything that's happened related to the WNA
3 mechanism.

4 But today, we've got about seven or eight
5 months of actual experience under our belts, and we
6 wanted to come to you and give you an update as far
7 as what we've seen thus far.

8 Dr. Lynch has got a presentation of 25 slides.
9 It'll probably take him about 25 to 30 minutes to
10 get through the slides. Mr. Commissioner, we are
11 here at your pleasure, so please feel free to stop
12 Dr. Lynch at any point during this presentation and
13 ask whatever questions are on your mind. We're
14 here to serve you and answer those questions.

15 So what I'll do now is just go ahead and ask
16 Dr. Lynch to come on up here and take a seat. The
17 presentation is organized in a couple of sections.
18 He's going to talk about the weather that we
19 experienced earlier this year -- a pretty cold
20 winter. He's also going to talk about how the WNA
21 mechanism works. He's got a little bit of math in
22 there for you, if you're interested in math
23 equations. I, personally, am not, but some of you
24 may well be, so he's going to talk to you about
25 some regression models that will certainly impress

1 you.

2 And then also he's going to talk about the
3 things we've had to do to get our customers
4 informed of the WNA mechanism. It's a complex
5 process; I don't want that to be lost on anybody.
6 We've got to convey that message in such a way that
7 our customers understand it. We've done that.
8 We've also had to educate our front-line employees,
9 i.e., the customer service representatives who take
10 calls from our customers who want to know why this
11 is on the bill now. So he'll talk to you about
12 that.

13 And finally, he's got some interesting data to
14 share with you as to what we've seen from our
15 customers as far as the number of calls we've
16 gotten and some of the questions that have been
17 asked of us. And we've done a very good job of
18 working through those questions that customers have
19 posed to us since they've started seeing this WNA
20 mechanism on their bill.

21 So without further ado, Mr. Chairman, I
22 present to you Dr. Lynch. And, Dr. Lynch, if you
23 would just go through your slides, and answer any
24 questions the Commission may have. Thank you, Mr.
25 Chairman.

1 **CHAIRMAN HOWARD:** Dr. Lynch, good to have you
2 with us again.

3 **DR. LYNCH:** Good afternoon.

4 **CHAIRMAN HOWARD:** Looking forward to your
5 presentation.

6 **DR. LYNCH:** Thank you. Good afternoon,
7 Commissioners. I appreciate the opportunity to be
8 here and talk about the eWNA.

9 [Reference: PowerPoint Slides 1-2]

10 Let me start at the beginning of why we are
11 implementing an eWNA: That's because the winter of
12 2010 was very cold, one of the coldest in the past
13 30 years, and the Company received a lot of
14 complaints about high electric bills. And a proper
15 caption for that picture might be "Snow Fall in
16 South Carolina Produces Very Pretty Landscapes and
17 Ugly Utility Bills...But Not Anymore, With the
18 eWNA."

19 [Laughter]

20 [Reference: PowerPoint Slide 3]

21 This chart is up here to show what a weather
22 normalization process can do. The top graph in
23 blue there is the daily energy consumption for the
24 whole system, and you can see how ragged it looks,
25 actual weather pushing the consumption up and down:

1 above-normal weather, below normal, that sort of
2 thing. And the usage follows a seemingly random,
3 unordered process. But if you take that usage and
4 filter it through a weather normalization process,
5 you get a picture something like the bottom graph
6 in green, where usage day by day seems a lot more
7 -- a lot less chaotic, certainly, or a lot more
8 predictable, smooth, and understandable.

9 We're still showing the ragged drops which are
10 weekend usage. The weekend usage drops off, so you
11 can see that drop, but still it's very predictable.
12 You don't lose the seasonality, so you can see, in
13 the summer period, particularly, but in the winter,
14 as well, you have higher usage, higher than you
15 would in the swing periods in between seasons. But
16 it's all very predictable. And what weather
17 normalization would do to the average use on our
18 system, we believe it does the same sort of thing
19 to customers' bills.

20 [Reference: PowerPoint Slide 4]

21 This chart is useful in explaining what the
22 eWNA would do. On the vertical side we have the
23 temperature and then on the horizontal axis we're
24 talking about the months going through the year.
25 The blue line represents the normal temperature as

1 you proceed through the year, and the red line the
2 actual temperature. So if we have a cold snap like
3 that first blip here, where temperatures drop and
4 weather is colder than normal, you can imagine what
5 happens. Customers' consumption goes up; without
6 the eWNA, their bills would go up. The Company
7 would collect more revenue than it really needs to
8 cover the fixed costs, perhaps more revenue than
9 the Commission would like it to collect.

10 But with the eWNA, the rate is adjusted
11 downward so you have higher consumption but then a
12 lower rate, so that the revenue coming into the
13 Company -- the customer's bill and the revenue
14 coming to the Company is based on normal weather.

15 And the eWNA, there's another side to that
16 coin, of course, is if we have mild winter weather
17 -- so if temperatures go up, following that
18 sequence of events, you'd have consumption that
19 would be lower than you would expect, lower than
20 normal; the customers' bills would be down, the
21 revenue would be short for the Company. But with
22 eWNA, then, the rate is adjusted upward a little
23 bit, so that the customer's bill reflects normal
24 weather, and the revenue coming to the Company
25 reflects normal revenue to cover the fixed costs.

1 So with eWNA, what you have is a flexible
2 rate. Instead of having a static rate with fixed
3 charges, you have a flexible rate that's going to
4 flex with the weather and bring about -- bring into
5 the Company normal levels of revenue, and
6 customers' bills would be at a normal level.

7 Another nice -- I think, a nice feature of
8 this is customers' bills, about one-third of it has
9 to do with fuel and two-thirds of it is the nonfuel
10 piece, and eWNA only affects the nonfuel piece. So
11 in above-normal conditions, so if you have a cold
12 snap, or in the summer if you have a heat wave and
13 customers' consumption goes up, well, the variable
14 component, the fuel part, is going to go up and be
15 higher than it would under normal weather
16 conditions; but at the same time, the eWNA is going
17 to reduce the bill, reduce the nonfuel part, so you
18 have -- on the nonfuel part, you have a reduction
19 in the bill at the same time the fuel has gone up.
20 So they work in opposite -- they tend to offset
21 each other a little bit.

22 Now the two mechanisms are entirely different,
23 so maybe it's not appropriate to talk about them in
24 the same conversation, because they work
25 separately, but it just seems like a nice feature

1 that when one goes up, the other goes down, which I
2 think is good for the customers.

3 [Reference: PowerPoint Slide 5]

4 This slide summarizes most of what I have just
5 said. If the weather is above normal -- that is,
6 if temperatures are warmer than normal in summer or
7 colder than normal in winter, then the eWNA rate
8 factor will be negative and reduce customers'
9 bills. If the weather stays near normal levels for
10 the billing period, then the eWNA rate factor is
11 going to be small and it will impact customers'
12 bills very slightly, plus or minus. And lastly, if
13 the weather is below normal, then the eWNA rate
14 factor will be positive and increase customer
15 bills.

16 [Reference: PowerPoint Slide 6]

17 I want to talk a little bit about the
18 structure of the eWNA process and the mechanism.
19 The first column there shows that we have 18 WNA
20 groups, and I wanted to talk about how we get to
21 these 18 groups. There are four rates: Rate 1, 6,
22 8, and 9. As you know, Rates 1, 6, and 8 are our
23 residential rates; Rate 9 is the small general
24 service rate.

25 These four rates represent most of the weather

1 sensitivity on our system, somewhere in the
2 neighborhood of 95 percent.

3 [Reference: PowerPoint Slide 7]

4 Now, to make the WNA process and the weather
5 adjustment more accurate, we're going to break down
6 these rates into subcomponents. So in the
7 residential, we break them down into single-family,
8 multifamily, and mobile homes. As you might
9 expect, a single-family home, an apartment, a
10 mobile home all would react to weather differently,
11 so we want to have separate equations, separate
12 mechanisms for each of those subcomponents. For
13 the general service, the Rate 9, we're only going
14 to look at commercial, because industrial isn't
15 very weather sensitive.

16 [Reference: PowerPoint Slide 8]

17 To get even more accurate, we're going to
18 break these subcategories into a further breakdown
19 and we're going to have less sensitive to cold and
20 more sensitive to cold.

21 A single-family home whose usage is more
22 sensitive to cold is very likely to be a single-
23 family home who has electric space heaters. But we
24 don't really know whether they have electric space
25 heating or not, but we can see what their usage

1 does and how it responds to weather, and we didn't
2 want someone on the telephone talking to a
3 customer, saying, "You have electric space
4 heating," when we don't know for a fact that they
5 do. The other thing maybe to mention is, a home
6 that is well insulated and has high-efficiency
7 space heating and maybe the occupants are willing
8 to put on a sweater in the winter and work with the
9 thermostat, maybe their home usage won't vary very
10 much with weather, so they would be in the less-
11 sensitive category. I think those might be
12 exceptions to the rule; there wouldn't be too many
13 of them, I don't think.

14 So this gives us 18 WNA groups. Four rates,
15 18 WNA groups, 18 regression equations. And then
16 each month, we're going to have 360 WNA rate
17 factors. There's 20 billing cycles; 18 WNA groups
18 gives you the 360 different factors to compute.

19 [Reference: PowerPoint Slide 9]

20 I have to take you into the weeds a little
21 bit. With 18 WNA groups, we're going to have 18
22 regression equations describing how the usage in
23 that group responds to weather. All the equations,
24 all 18 equations are of that form, where the kWh is
25 going to be a function of cooling degree days --

1 which I have there as "CDD75" -- and then heating
2 degree days, "HDD60." And " M_{month} ." M_{month} is a
3 constant for each month; each month has its own
4 constant. So I have 14 regression parameters being
5 estimated for each WNA group, and each WNA group
6 has its own estimate of those parameters, its own
7 set of WNA regression parameters.

8 CDD75 is cooling degree days with a base of 75
9 degrees; HDD is heating degree days with a base of
10 60. We use the 75 and the 60 because our
11 forecasting department finds that you get better
12 statistical correlations when you use 75 and 60.
13 Also, using 60 and 75, you separate cooling from
14 heating because you have that 15 degree gap between
15 there. Another thing that's nice about the 60 and
16 75, you've got a 15-degree dead band, so you can --
17 where there's no weather sensitivity at all -- and
18 you can imagine South Carolina in those swing
19 months, very nice weather, customers open their
20 windows, let the weather in. Well, that's in that
21 dead zone, so to speak. So these weather
22 parameters really help with the accuracy. And then
23 M_m , again, there's 12 parameters representing a
24 monthly base level of kWh use, and that picks up
25 the seasonality as you go through the year.

1 [Reference: PowerPoint Slide 10]

2 So taking those equations, this lays out the
3 process on how we use them. This is how it was
4 described to our computer programmers who had to
5 program this thing into the billing system. So
6 Step 1 or Equation 1, we calculate the average kWh
7 per customer for that particular WNA group,
8 plugging in the actual weather.

9 The second step, we calculate weather-
10 sensitive kWh. Now, weather-sensitive kWh is the
11 energy associated with abnormal weather. Another
12 way to look at it is it's the change in the average
13 kWh needed to bring the usage back to normal. Now,
14 I'm going fast through these equations because my
15 next slide has numbers in it, and it's easier to
16 talk and understand this if I have actual numbers.

17 So given the average kWh from Step 1, the
18 weather-sensitive kWh in Step 2, we calculate a WNA
19 ratio, which is the percent change needed to get
20 back to normal. So there -- and you can see that
21 calculated. And then Step 4 is where we calculate
22 the eWNA rate factor, which is just the WNA ratio
23 times the second block, the rate. So it's just
24 those four steps to produce the WNA rate factor.

25 [Reference: PowerPoint Slide 11]

1 And here's a particular example. So it's a
2 Rate 8 single-family home. I picked a meter-
3 reading date of December 8th that had 29 days in
4 the billing cycle. So since I have a date and the
5 29 days, I know what days I'm talking about, that
6 determines the weather. So the actual heating
7 degree days was 237½; the normal was 224.5. So
8 it's a little colder than normal. Cooling degree
9 days, actual and normal were zero, so we're in the
10 winter here.

11 So Step 1, Equation 1, I calculate the average
12 use of the customers in this WNA group, and that's
13 1417.2 kilowatt-hours. And you can see there I'm
14 working through the equation. 801.8, that's my
15 monthly factor for December, and to that I'm going
16 to add 2.591 times 237.5 heating degree days. This
17 2.591, that's one of the parameters I estimated in
18 the regression, and that tells me for this WNA
19 group how many kilowatt-hours a customer is going
20 to use per heating degree day. They use about
21 2.591 kilowatt-hours per heating degree day so I
22 multiply that times the heating degree days, I get
23 the kWh impact of the weather. I add it to the
24 base use. Cooling degree days were zero, so I
25 don't have to worry about that. And you end up

1 with 1417.2 kilowatt-hours as the average use for
2 that weather.

3 Step 2, I get abnormal weather kWh, and that
4 turns out to be -33.7. So we're above normal here;
5 the usage is above normal, and it's above normal by
6 33.7 kWh. And I have a negative here because I
7 have to subtract 33.7 to bring it back to normal.

8 Now in our process, we don't want to -- we
9 don't subtract it; instead, we calculate the eWNA
10 ratio to get a percent change. So 33.7 divided by
11 1417.2 gives me -- -33.7 gives me -0.0237. So that
12 tells me I have to reduce the kWh by 2.378 percent,
13 in order to get back to normal. And to reduce the
14 normal bill, I either reduce the kWh by 2.3 percent
15 or I reduce the rate, which is going to be
16 multiplied by the kWh. So the way we do it is we
17 reduce the rate. And that's in Step 4. So you see
18 the WNA factor, .02378 times the margin rate.
19 .11068 comes right from our rate schedule, and then
20 .03606, that's the fuel rate. And so you end up
21 with a WNA factor of -0.00178, and that factor
22 applies to every customer in this WNA group who is
23 billed on December 8th -- all right? -- because the
24 rate is essentially changed.

25 [Reference: PowerPoint Slide 12]

1 Well, we have a chance to go through all of
2 that again. This is a -- but I won't. I won't.

3 [Laughter]

4 This is a snapshot of a picture of what is on
5 our CIS system, so if a customer calls in and wants
6 to talk about eWNA, the customer rep can pull up
7 this screen and see how the eWNA was calculated,
8 and then, without too many details, go through
9 those four equations or those four steps. 1417.2
10 was the average use, given the weather, for that
11 period. -33.7 is the abnormal kWh; you want to
12 take that out of the usage to get to normal. Here
13 is the WNA rate, -0.02378, 2.3 percent you
14 remember. And then the calculation of the eWNA
15 factor, -0.00177, as you recall, and that's just
16 the WNA ratio times the margin rate.

17 Now, all four equations only deal with the WNA
18 group and the billing cycle. It has nothing to do
19 with the individual customer. Only -- line five is
20 the only thing that really deals with the
21 individual customer. So this customer used 1,931
22 kilowatt-hours for this time period. So if you
23 multiply times the eWNA factor, you get -\$3.42, so
24 eWNA reduced his bill by \$3.42. And the Company
25 rep could tell him that at the time.

1 what's -- I want to show the accumulated impact on
2 customer bills since the inception of the program.
3 This is the total impact since August.

4 So, August 2010, we know was hotter than
5 normal, and so the eWNA reduced bills and reduced
6 customer bills by about \$12½ million, and so that's
7 what I'm plotting out as -\$12½ million. September
8 was hotter than normal, so it brought the
9 accumulation down another \$10 million to about
10 \$22½, \$23 million. October and November sort of
11 levels off because you're in a swing period; you're
12 not going to have much effect. Then we get into
13 December, colder-than-normal winter. So bills were
14 then lower than they would otherwise be. eWNA was
15 reducing bills again. January again is very cold.
16 February, not so cold, and then March turns back
17 up. I think we added \$5½ million dollars to bills
18 in March.

19 So after the eight months, the accumulated
20 total now is \$40.5 million, so customer bills are
21 reduced \$40.5 million because of the eWNA over the
22 eight-month period. And as Mr. Burgess pointed
23 out, that \$40.5 million is just the eWNA since
24 August. It doesn't include the \$25 million that's
25 being refunded to customers, which really dates

1 back to the prior winter. So if eWNA started in
2 January 2010 and we did this accumulation, we'd end
3 up at \$65 million -- a -\$65 million going back to
4 customers.

5 [Reference: PowerPoint Slide 15]

6 This is the same information displayed
7 differently. I've separated the negative bills
8 from the positive bills.

9 **CHAIRMAN HOWARD:** Dr. Lynch.

10 **DR. LYNCH:** Yes, sir.

11 **CHAIRMAN HOWARD:** I think Commissioner Fleming
12 has a question for you.

13 **COMMISSIONER FLEMING:** Now, what's happening
14 to the fuel factor while this is going down? How
15 is that playing into the bills?

16 **DR. LYNCH:** The fuel would be a whole separate
17 mechanism --

18 **COMMISSIONER FLEMING:** Right.

19 **DR. LYNCH:** -- and so probably for this period
20 -- I'm not sure when we changed all the fuel rates,
21 but I think it's constant for this time period. So
22 if people -- if they used more energy, either
23 because of weather or for whatever reason, the fuel
24 portion of the bill would be higher. The rate
25 would stay the same; it would be .036 cents, so

1 there's no change there. But this doesn't flatten
2 the bill; the eWNA only applies to those two-thirds
3 of non-fuel portion.

4 **COMMISSIONER FLEMING:** But it would be going
5 -- the fuel part would be going up, though, because
6 it has the reverse --

7 **DR. LYNCH:** Well, the fuel rate -- .036 --
8 that's constant, so if customers use more energy,
9 that portion of the bill would be higher.

10 **COMMISSIONER FLEMING:** Okay.

11 **DR. LYNCH:** And that represents about one-
12 third of their bill.

13 **COMMISSIONER FLEMING:** All right.

14 **DR. LYNCH:** Yeah. But I guess -- maybe it's
15 worth pointing out that the fuel has a separate
16 mechanism, and we spread those costs over a year,
17 so it tends to flatten the rate and help customers
18 in that regard. But it still -- if they use more,
19 they pay more on the variable side, yes.

20 **COMMISSIONER FLEMING:** Okay. All right.

21 Thank you.

22 **DR. LYNCH:** Well, this is total eWNA revenues,
23 but I split it into two pieces just so you can see,
24 so I can emphasize the effects. So, August, just
25 about everybody had a reduction because it was very

1 hot, and there's that \$12½ million I mentioned. If
2 you get down to October, the swing months, overall
3 it was a negative effect on bills, but some people
4 actually had a positive increase. It's very small,
5 but there was some weather that was below normal,
6 so the rate was positive and additive to the bill.
7 And then to come down to March -- yeah -- mostly,
8 March is positive. There's actually a little piece
9 there -- maybe I'll see that in the next slide -- a
10 little piece there, some customers actually did get
11 a negative, showed a negative effect from the eWNA
12 on their bill in March. But if you add it all up,
13 -\$40.5 million.

14 [Reference: PowerPoint Slide 16]

15 The chart on the left is the chart we just
16 looked at; it's the revenue broken down by month.
17 This chart [indicating] is the bills. So I just
18 wanted to point out, in October, where there was a
19 very small positive impact from eWNA, there was
20 actually about 150,000 customers who saw that
21 positive impact, but it was very small. Overall,
22 we have about 630,000 -- somewhere around there --
23 who are getting eWNA bills, are on the eWNA
24 process.

25 And then in March, I think I mentioned there

1 was something there, and there you can see there
2 were customers -- there's actually about 50,000
3 customers who had a negative eWNA factor. But
4 overall, March was below normal, so there was an
5 additive positive effect on bills and, net, the
6 Company brought in \$5½ million more than it would
7 have without the eWNA for that month.

8 [Reference: PowerPoint Slide 17]

9 One last chart on this is the average bill
10 impact, so this would be dollars per bill. On the
11 far right there, "Overall Impact," you see August.
12 On average it was a \$20.33 reduction in the bill.
13 And you can see the amounts each month, and I've
14 broken out the ones that are all negative and the
15 ones that are all positive. If you go to March,
16 for example, overall, \$9.57 increase on the bill,
17 but some people -- 50,000 customers -- had an
18 average decrease of .02 cents. It's just how the
19 weather works out the process.

20 The Company -- the eWNA seems very logical to
21 the Company, a good thing to help customers, and we
22 believe in the mechanics. We have good
23 statisticians and forecasters and computer
24 programmers, so we know the mechanics would work
25 and do what we wanted. The real unknown with the

1 eWNA is what customers were going to think about
2 it, so we should talk a little bit about that.

3 [Reference: PowerPoint Slide 18]

4 The Company started a communications program.
5 So one key feature of that, back in August, for
6 each of the 20 cycles and all of the customers who
7 were coming under the eWNA, we put in a bill insert
8 explaining why we were doing it, what the eWNA
9 does. And there's a picture of part of the bill
10 insert.

11 [Reference: PowerPoint Slide 19]

12 Here's another part. You can't read the
13 questions, but those would be -- I'll show you
14 those in a minute -- those are typical questions
15 that customers would ask. You can see the chart.
16 I mean, I lifted that to show to you to explain the
17 eWNA and how it works.

18 [Reference: PowerPoint Slide 20]

19 We also, on the website, put all that
20 information out there again, so customers can go to
21 our website and get those questions answered. And
22 again, you can see the chart that we think explains
23 the mechanism fairly well.

24 [Reference: PowerPoint Slide 21]

25 Here are some of the questions which are

1 answered on the website: What is the WNA and how
2 does it work? Why is SCE&G implementing the eWNA?
3 And our website doesn't just have questions; it has
4 the answers to these things, too. I should point
5 that out, to make sure.

6 [Reference: PowerPoint Slide 22]

7 What else? Also, there was a strong program
8 of training of front-line employees. The people
9 who answer the phones and have to answer customers'
10 questions need to understand the process and be
11 able to explain it. So there's a lot of classroom
12 instructions. We have some supplemental tools that
13 help them, and an online course that they can --
14 that can refresh their ideas. I know myself and my
15 team gave, you know, a dozen or more presentations
16 around the Company to help with this effort.

17 And we think all of this communication effort
18 paid off --

19 [Reference: PowerPoint Slide 23]

20 -- because this is a summary of the numbers of
21 calls we got asking about the eWNA or talking about
22 it. So over the eight months, there's about 370
23 phone calls dealing with eWNA. 255 of them, just
24 asking for explanations; 36 wanted to opt out; 17
25 wanted to get into the details of the calculation;

1 62, sort of general complaints. So with 630,000
2 customers being billed each month with eWNA, to
3 only have 370 calls we think is a good thing. And
4 then if you talk about complaints, we figure 36
5 were complaining, because they want to opt out, and
6 62 in this category of general complaints; add them
7 together, that's 98, so about 100 customers were
8 actually complaining.

9 Now we did see -- looks like here's 46 in
10 March, so there is a little uptick. Part of the
11 reason, I guess we probably should say, you've got
12 seven or eight months where the eWNA credit helps
13 customers, lowers the bills, and maybe some of the
14 them figured it would be crazy to call and complain
15 about that. And so in March, when the bill does go
16 up, when the eWNA is additive to the bill, we did
17 see some more calls coming in. But even there,
18 it's not so many, and a lot of it is just an
19 explanation of what's on the bill.

20 Now we have to wait and see with the summer
21 what happens, because as you know, in the summer
22 everybody's consumption is going to go up because
23 the seasonality is still in the billing process.
24 So bills should be higher. And if the summer is
25 below normal, then eWNA will be additive, and

1 customers, if they have a high bill -- relatively
2 high bill, you know, seasonally speaking, and they
3 have another \$10 added because of eWNA, I can see
4 maybe some of them complaining.

5 The statistician in me tells me that since
6 we've seen two winters that were above normal and a
7 summer above normal, the next season, this upcoming
8 summer, has got to be below normal -- just the
9 odds, I don't know. Mother Nature I know has her
10 own statistician, so you never know. But anyway,
11 the Company so far is pleased with the results and
12 hopes -- you know, hopes for the best going
13 forward.

14 [Reference: PowerPoint Slide 24]

15 I want to finish up with the general comments.
16 I was interested, why does anybody want to complain
17 about this. It seems such a rational thing to do.
18 And, of course, I understand the statistics; my
19 department developed them, and so I have a lot of
20 confidence that the mechanics are doing exactly
21 what the Company wants them to do. But these were
22 some of the complaints that I could pull out of the
23 comments that the customer reps wrote down. Some
24 people just want to opt out. One comment -- a few
25 comments: "Only want to pay what I use -- only

1 want to pay for what I use." "No incentive to
2 conserve." "Worried about paying credits back."
3 "Just don't like it." "It's something else to
4 worry about." I think all of that -- I mean, the
5 thoughts are -- I think are wrong, and maybe they
6 just don't understand the eWNA. But also I want to
7 add that a lot of -- in that general, you know,
8 call-for-explanation category, a lot of the
9 comments were favorable on eWNA after it was
10 explained to the customers.

11 So the Company thinks it's a good thing and
12 we're interested in seeing what happens further
13 down the road.

14 [Reference: PowerPoint Slide 25]

15 And that's my last slide. I'd be happy to
16 answer questions or --

17 **CHAIRMAN HOWARD:** Commissioners, questions of
18 Dr. Lynch? Commissioner Fleming.

19 **COMMISSIONER FLEMING:** How did you respond to
20 their question about no incentive to conserve?

21 **DR. LYNCH:** Well, I would tell them -- now, I
22 didn't -- I don't respond to the customers, too
23 many. Those who want to get into the equations,
24 and there were a handful, they would be passed to
25 me or one of my associates to get into the

1 equations. Some of the engineers -- there was a
2 retired math professor -- I thought he was funny --
3 a retired math teacher from Pennsylvania called in,
4 just professional curiosity. But the way I would
5 respond is that, of course, there's still an
6 incentive there, because the lower your usage is,
7 the lower your bill is. Think about what you use
8 under normal weather conditions. If you use less
9 energy under normal weather conditions, you're
10 going to have a lower bill. And of course you have
11 the variable part. The fuel part is directly
12 related to what you use, so if your consumption
13 goes down, that portion of your bill would go down
14 with it. The other portion will also go down. If
15 you insulate your house or put a higher efficiency
16 appliance on it, it is reduced.

17 And another thing to think about how this eWNA
18 works, it really works based on a rate and sort of
19 a percent change, so if you're going to reduce a
20 bill by 10 percent, it makes a difference if the
21 bill is \$200 where you get one impact, or if it's
22 only \$100, well, you get a different impact -- if
23 you see what I mean.

24 So conservation is still -- this is not a
25 disincentive to conservation. No one should look

1 at it that way. And I'm sure a customer -- I think
2 we're explaining it to customers that way, too.

3 **COMMISSIONER FLEMING:** Well, thank you.

4 **CHAIRMAN HOWARD:** Commissioner Whitfield.

5 **COMMISSIONER WHITFIELD:** Thank you, Mr.
6 Chairman. Dr. Lynch, I'd also like to ask you,
7 like Commissioner Fleming just asked you, how do
8 you answer the question about, you know, paying the
9 credits back, when they hit you with that question?
10 You can see, of course, I believe January was your
11 biggest savings to the customer, and I think --
12 from a PR standpoint, I think it went over well
13 this past winter. And it looks like the only other
14 month that you had a positive back to the Company
15 was November, and it was so small that -- and I
16 think the numbers you had up there were about the
17 same -- 18 or 16 or something, kind of low. But
18 you've only had two months, the big one being now
19 March of '11 and then November being so small that
20 you hardly got any calls.

21 **DR. LYNCH:** Yeah.

22 **COMMISSIONER WHITFIELD:** How do you -- or not
23 you, but staff -- plan to --

24 **DR. LYNCH:** Well, we would explain there's
25 really no paying back of credits. So, what's

1 happened in the past, the weather, that's sort of a
2 done deal. And whether the bill increases --
3 whether the eWNA increases the bill or decreases
4 the bill depends on the weather that we see. As
5 far as the Company goes, if the eWNA reduces the
6 revenue coming to the Company, the way we figure it
7 is, well, that's revenue we didn't need, really,
8 because what the eWNA is bringing the bills back
9 and the customers' revenue -- the customers' bills
10 and the Company revenue back to a normal level
11 that's needed for normal operation. So it's not
12 really -- we don't need any credits and there's no
13 payback.

14 But I explain to customers there is a flip
15 side in the sense that when weather is milder than
16 normal, consumption is down, then the Company,
17 without the eWNA, the revenue coming in would not
18 cover the fixed costs. So the eWNA would increase
19 the rate a little bit so that that portion of the
20 bill reflects normal weather and would cover those
21 fixed costs.

22 Now I had to go through this with an engineer
23 who didn't really understand ratemaking. But when
24 I started explaining that the Company has fixed
25 costs, you divide by kWh to get the rate: If

1 weather drives that kWh up and you apply that same
2 rate, you're going to get more than the fixed costs
3 that you need to cover it. At the same token, if
4 it's below, then we fall short of the fixed costs.
5 And what eWNA does is just jimmy the rate, so that
6 you're always producing normal-weather revenue.
7 Did I answer?

8 **COMMISSIONER WHITFIELD:** Yes, sir, you sure
9 did. And certainly -- I think your efforts, your
10 PR from this weather -- of course, we had the
11 really bad winter prior, starting the program, in
12 January of 2010, but I certainly think that you've
13 gotten a lot of mileage out of it going through
14 this winter.

15 **DR. LYNCH:** Thank you.

16 **CHAIRMAN HOWARD:** Commissioners?

17 [No response]

18 Mr. Nelson, does ORS have any questions of Dr.
19 Lynch?

20 **MR. NELSON:** No questions. Thank you, Mr.
21 Chairman.

22 **CHAIRMAN HOWARD:** Dr. Lynch, thank you very
23 much for your presentation. I found it very
24 interesting. I think we have a clearer concept now
25 of weather normalization.

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DR. LYNCH: Thank you.

CHAIRMAN HOWARD: Thank you much. With that,
our briefing is adjourned.

[WHEREUPON, at 3:15 p.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 21st day of April, 2011.



Jo Elizabeth M. Wheat, CVR-CM-GNSC

ATTEST:



Jocelyn G. Boyd,
CHIEF CLERK/ADMINISTRATOR