221039

STATE OF SOUTH CAROLINA

(Caption of Case)
IN RE:

South Carolina Electric & Gas Company's Request for Approval of Demand Side Management Plan Including a Demand Side Management Rate Rider and Portfolio of Energy Efficiency

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET NUMBER: 2009 - 261 - E

(Please type or print)

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DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously

☐ Other:

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
☒ Electric	☐ Affidavit	☐ Letter	☐ Request
☐ Electric/Gas	☐ Agreement	☐ Memorandum	☐ Request for Certification
☐ Electric/Telecommunications	☐ Answer	☐ Motion	☐ Request for Investigation
☐ Electric/Water	☐ Appellate Review	☐ Objection	☐ Resale Agreement
☐ Electric/Water/Telecom.	☐ Application	☐ Petition	☐ Resale Amendment
☐ Electric/Water/Sewer	☐ Brief	☐ Petition for Reconsideration	☐ Reservation Letter
☐ Gas	☐ Certificate	☐ Petition for Rulemaking	☐ Response
☐ Railroad	☐ Comments	☐ Petition for Rule to Show Cause	☐ Response to Discovery
☐ Sewer	☐ Complaint	☐ Petition to Intervene	☐ Return to Petition
☐ Telecommunications	☐ Consent Order	☐ Petition to Intervene Out of Time	☐ Stipulation
☐ Transportation	☐ Discovery	☒ Prefiled Testimony	☐ Subpoena
☐ Water	☐ Exhibit	☐ Promotion	☐ Tariff
☐ Water/Sewer	☐ Expedited Consideration	☐ Proposed Order	☐ Other:
☐ Administrative Matter	☐ Interconnection Agreement	☐ Protest	
☐ Other:	☐ Interconnection Amendment	☐ Publisher's Affidavit	
	☐ Late-Filed Exhibit	☐ Report	

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January 7, 2010

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VIA HAND DELIVERY
The Honorable Charles L.A. Terreni
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

RE: Application of South Carolina Electric and Gas Company for the Establishment and Approval of DSM Programs and Rate Rider
Docket No. 2009-261-E

Dear Mr. Terreni:

Enclosed for filing please find the original and twenty-five (25) copies of the **Direct Testimony of Dennis W. Goins, Ph.D. on Behalf of CMC Steel South Carolina**. I have also enclosed an extra copy of the Testimony and would appreciate you file stamping the extra copy and returning it to me via courier. By copy of this letter, I am serving all parties of record. If you have any questions or need additional information, please do not hesitate to contact me.

With kind regards, I am

Very truly yours,

E. Wade Mullins

E. Wade Mullins, III

EWM/rdd
Enclosures
cc: Belton T. Zeigler, Esquire (w/enc.)
Catherine D. Taylor, Esquire (w/enc.)
Frank Knapp, Jr., Esquire (w/enc.)
J. Blanding Holman, IV, Esquire (w/enc.)
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BEFORE THE
SOUTH CAROLINA PUBLIC SERVICE COMMISSION

In RE:	)	
	)	
South Carolina Electric & Gas	)	**Docket No. 2009-261-E**
Company's Request for Approval of	)	
Demand Side Management Plan	)	
Including a Demand Side Management	)	
Rate Rider and Portfolio of Energy	)	
Efficiency Programs		

CERTIFICATE OF SERVICE

I hereby certify that on this 7th day of January, 2010, I served the **Direct Testimony of Dennis W. Goins, Ph.D. on Behalf of CMC Steel South Carolina** by regular mail, with sufficient postage affixed thereto and return address clearly marked, to the following addresses:

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STATE OF SOUTH CAROLINA
BEFORE THE
SOUTH CAROLINA PUBLIC SERVICE COMMISSION

DOCKET NO. 2009-261-E

SOUTH CAROLINA ELECTRIC & GAS COMPANY'S REQUEST FOR APPROVAL OF DEMAND SIDE MANAGEMENT PLAN INCLUDING A DEMAND SIDE MANAGEMENT RATE RIDER AND PORTFOL1O OF ENERGY EFFICIENCY PROGRAMS

DIRECT TESTIMONY OF
DENNIS W. GOINS, PH.D.
ON BEHALF OF
CMC STEEL SOUTH CAROLINA

January 7, 2010

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STATE OF SOUTH CAROLINA
BEFORE THE
SOUTH CAROLINA PUBLIC SERVICE COMMISSION

SOUTH CAROLINA ELECTRIC & GAS COMPANY'S) REQUEST FOR APPROVAL OF DEMAND SIDE) MANAGEMENT PLAN INCLUDING A DEMAND SIDE) MANAGEMENT RATE RIDER AND PORTFOLIO OF) ENERGY EFFICIENCY PROGRAMS)	Docket No. 2009-261-E

DIRECT TESTIMONY OF
DENNIS W. GOINS, PH.D.
ON BEHALF OF
CMC STEEL SOUTH CAROLINA

INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Dennis W. Goins. I operate Potomac Management Group, an economics and management consulting firm. My business address is 5801 Westchester Street, Alexandria, Virginia 22310.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I received a Ph.D. degree in economics and a Master of Economics degree from North Carolina State University. I also earned a B.A. degree with honors in economics from Wake Forest University. From 1974 through 1977 I worked as a staff economist at the North Carolina Utilities Commission (NCUC). During my tenure at the NCUC, I testified in numerous cases involving electric, gas, and telephone utilities on such issues as cost of service, rate design, intercorporate transactions, and load

forecasting. While at the NCUC, I also served as a member of the Ratemaking Task Force in the national Electric Utility Rate Design Study sponsored by the Electric Power Research Institute (EPRI) and the National Association of Regulatory Utility Commissioners (NARUC).

Since 1978 I have worked as an economic and management consultant to firms and organizations in the private and public sectors. My assignments focus primarily on market structure, policy, planning, and pricing issues involving firms that operate in energy markets. For example, I have conducted detailed analyses of product pricing, cost of service, rate design, and interutility planning, operations, and pricing; prepared analyses related to utility mergers, transmission access and pricing, and the emergence of competitive markets; evaluated and developed regulatory incentive mechanisms applicable to utility operations; and assisted clients in analyzing and negotiating interchange agreements and power and fuel supply contracts. I have also assisted clients on electric power market restructuring issues in Arkansas, New Jersey, New York, South Carolina, Texas, and Virginia.

I have submitted testimony and affidavits and provided technical assistance in more than 100 proceedings before state and federal agencies as an expert in competitive market issues, regulatory policy, utility planning and operating practices, cost of service, and rate design. These agencies include the Federal Energy Regulatory Commission (FERC), the Government Accountability Office, the First Judicial District Court of Montana, the Circuit Court of Kanawha County, West Virginia, and regulatory agencies in Alabama, Arizona, Arkansas, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Mississippi, New Jersey, New York, North Carolina, Ohio, Oklahoma, South Carolina, Texas, Utah, Vermont, Virginia, West Virginia, and the District of Columbia. Additional details

of my educational and professional background are presented in the Appendix.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of CMC Steel South Carolina, a member of the CMC Steel Group.

Q. WHAT ASSIGNMENT WERE YOU GIVEN WHEN YOU WERE RETAINED?

A. I was asked to undertake two primary tasks:

1. Review the filing made by South Carolina Electric & Gas Company (SCE&G) regarding its demand-side management (DSM) programs and associated cost recovery and incentive mechanisms.[1]
2. Identify any major deficiencies in SCE&G's proposal, and suggest recommended changes.

Q. WHAT SPECIFIC INFORMATION DID YOU REVIEW IN CONDUCTING YOUR EVALUATION?

A. I reviewed SCE&G's filing, testimony, exhibits, and responses to requests for information. I also reviewed information found on web sites operated by the Commission, SCE&G and its parent—SCANA Corporation, and selected state regulatory commissions. Finally, I reviewed selected technical and regulatory documents regarding EE programs and payment and incentive mechanisms.

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[1] In its filing, SCE&G uses *DSM* to describe programs and measures that reduce demand and/or improve energy efficiency (EE). The term *DSM* is conventionally used to describe programs and measures that primarily focus on demand reduction, while *EE* is used to describe those that focus on reducing energy use though increased efficiency. In my testimony, I have adopted SCE&G's convention of using DSM to describe both types (DSM and EE) of programs and measures except

CONCLUSIONS

Q. WHAT CONCLUSIONS HAVE YOU REACHED?

A. On the basis of my review and evaluation, I have concluded the following:

1. In its filing, SCE&G asks the Commission to approve nine DSM programs that it plans to offer South Carolina customers.[2] To recover its DSM program costs—which will be amortized over 5 years, SCE&G also seeks the Commission's approval to implement a DSM rider to retail rates. The proposed DSM rider—which will become effective with May 2010 billings—is structured to recover not only DSM program costs, but also lost net margin revenue associated with the DSM programs and a 300 basis-point return-on-equity incentive applied to the deferred balance of SCE&G's DSM program costs. The DSM rider includes class-specific surcharges to recover DSM program costs (both direct and indirect) and lost net margin revenue assigned to each customer class.[3]
2. SCE&G projects that the total DSM revenue requirement for the initial 12-month recovery period—December 2009 through November 2010—will be approximately $5.34 million. Of this amount, only about $289,000 (5.3 percent) represents recovery of actual DSM expenses via the proposed 5-year amortization. The remaining $5.05 million (almost 95 percent) of the DSM revenue requirement is accounted for by expected lost net sales margins ($4.01 million—75 percent) and the incentive rate of return ($1.04 million—almost 20 percent).

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in describing programs and measures offered by other utilities that separately identify DSM and EE offerings.

[2] My testimony does not address the reasonableness of the proposed programs, their cost-effectiveness, or alternative programs that SCE&G should offer. My silence on these issues should not be considered an endorsement of the programs, SCE&G's program evaluation methods, or results from the program cost-effectiveness tests.

[3] SCE&G's proposed DSM rider includes surcharges for four customer classes: Residential, Small General Service (SGS), Medium General Service (MGS), and Large General Service (LGS).

3. Under South Carolina law (S.C. Code Ann. § 58-37-20), the Commission may adopt procedures that encourage utilities to make DSM investments. Such procedures—if adopted—must meet specified criteria regarding cost recovery and incentives. SCE&G contends that its proposed recovery of lost net margin revenue and an incentive rate of return are consistent with this statute. In particular, SCE&G claims that both measures are necessary to remove a utility's bias against DSM investments that reduce sales and produce lower profits relative to supply-side investments. However, SCE&G cites no state that has approved or adopted electric utility DSM policies that allow both lost margin recovery and an incentive rate of return applicable to unamortized program cost balances.

4. The proposed DSM rider includes a provision under which an eligible commercial or industrial customer can opt out of participation in and cost responsibility for SCE&G's DSM programs. The DSM opt out is available only to customers that meet minimum demand thresholds. In addition, opt-out customers must certify in writing that they have conducted an energy efficiency audit in the past 3 years and are implementing measures that produce demand and energy savings at least equal to savings anticipated under SCE&G's DSM programs for the applicable customer class. The Commission recently approved (Docket No. 2008-251-E) a simple, straightforward DSM/EE opt out for large customers served by Progress Energy Carolinas (PEC). The PEC opt out simply requires certification that a customer has implemented or will implement alternative DSM/EE measures in accordance with stated and quantifiable DSM and EE goals. A similar opt-out provision has been included in a recently proposed

settlement for Duke Energy Carolinas (DEC) in Docket No. 2009-226-E, which the Commission is now considering.

RECOMMENDATIONS

Q. WHAT DO YOU RECOMMEND ON THE BASIS OF THESE CONCLUSIONS?

A. I recommend that the Commission:

1. Modify SCE&G's proposed DSM opt-out provision to bring it more in line with the recently approved PEC opt out and the recently proposed settlement opt out for DEC. At a minimum, SCE&G's opt out should:
   - Allow any customer that meets the proposed minimum load thresholds (if applicable) to opt out if the customer certifies that it has implemented or will implement alternative DSM measures with stated and quantifiable energy-saving goals.[4] This straightforward certification eliminates any need for SCE&G's vague and ambiguous requirement that customer-funded EE investments must be "at least equivalent in energy and demand savings to those anticipated under the Company's DSM program for the particular class."
   - Require SCE&G to accept a customer's opt-out request without right of refusal unless the customer fails to certify in writing that it has undertaken or plans to undertake self-directed DSM investments. Under its proposal as filed, SCE&G can deny a customer's request to opt out—but the conditions under which an opt-out request can be denied are not specified. This provision gives SCE&G unnecessary and

[4] SCE&G has proposed two DSM programs for customers eligible for opt out. These programs are the Commercial and Industrial Prescriptive program and the Commercial and Industrial Custom program.

unjustified leverage in contested contract and rate issues involving large customers, since SCE&G could use its power to deny opt out to force customer acquiescence on such issues.

2. Require SCE&G to amortize its DSM program costs (expenses) over 10 years instead of 5 years as proposed. A longer amortization would reduce the near-term rate impact on customers, and also spread cost recovery to track program benefits that customers receive in the future. The 10-year amortization would also be consistent with the amortization period the Commission approved for PEC's DSM/EE program costs in Docket No. 2008-251-E.
3. Reject SCE&G's proposed incentive rate of return. The incentive is excessive—only one of the very few states that allow DSM rate-of-return incentives has a higher incentive. In addition, the incentive is asymmetrical—that is, SCE&G receives an incentive return on every dollar it spends on DSM programs, but gives nothing back to customers if the programs are unsuccessful in producing expected demand and energy savings. In my opinion, the combination of lost margin recovery and a carrying charge on unamortized DSM costs equal to SCE&G's overall allowed rate of return should be sufficient to encourage SCE&G to pursue cost-effective DSM measures. As a result, I recommend that the Commission reject SCE&G's proposed 300 basis point return on equity adder incentive. However, if the Commission determines that a rate-of-return incentive is appropriate, then I recommend initially setting the incentive no higher than 100 basis points above SCE&G's allowed return on equity. A higher ROE incentive should be granted only if it is linked to performance targets for SCE&G's DSM programs.
4. Limit the recovery period for lost net margin revenue associated with DSM expenditures in a particular year (vintage) to three years

or until SCE&G's base rates are adjusted in a general rate case, whichever time period is shorter. For example, if SCE&G's next general rate case is in 2014, its recovery of lost net margin revenue associated with DSM expenditures in 2010 would stop at the end of the 2012 program year.[5]

CUSTOMER OPT OUT

Q. ARE ANY OF SCE&G'S DSM PROGRAMS TARGETED AT COMMERCIAL AND INDUSTRIAL CUSTOMERS?

A. Yes. As I mentioned earlier, two of the nine DSM programs proposed by SCE&G are targeted at commercial and industrial customers—the Commercial and Industrial Prescriptive programs and the Commercial and Industrial Custom program.

Q. HOW DOES SCE&G ASSIGN COST RESPONSIBILITY FOR ITS DSM PROGRAMS?

A. SCE&G assigns DSM program costs to customer classes targeted by each program, and then develops class-specific annual revenue requirements and DSM rider surcharges. A class' annual assigned DSM program costs include its share of the unamortized balance of total DSM expenses, estimated class margin revenues lost as a result of DSM-induced reductions in sales, and a return on the class' DSM deferred cost balance. Class-specific DSM costs are divided by projected class kWh sales in the 12-month recovery period to determine the DSM rider surcharge for each class.

[5] For simplicity, this example ignores the December –November program year designation proposed by SCE&G and any over- or underrecovered balance of 2010 vintage lost net margin revenue in 2012.

Q. SHOULD PARTICIPATION IN SCE&G'S DSM PROGRAMS BE MANDATORY?

A. No. Large customers that finance their own energy efficiency investments should not be required to pay for SCE&G's programs. In other words, they should be allowed to opt out of SCE&G's DSM programs and not be subject to charges under the DSM rider.

Q. WHY SHOULD LARGE CUSTOMERS BE ALLOWED TO OPT OUT?

A. Some large customers have in place or plan to install EE measures that reduce their energy requirements. These customers—who are not being compensated by other SCE&G ratepayers—should be allowed to opt out of SCE&G's DSM programs if they choose to do so. Their energy efficiency investments produce system benefits just like programs that SCE&G sponsors. Moreover, a mandatory requirement to pay for SCE&G's DSM programs ensures that some large customers will pay for programs that directly compete with customer-supplied EE investment capital. The customer—not SCE&G—knows best which energy efficiency investments to make and should be allowed to choose how available EE capital is spent. Finally, successful firms are always looking for ways to reduce operating costs and improve profitability. If SCE&G's DSM programs offer the most cost-effective way of achieving these goals, customers will not opt out.

Q. IS AN OPT-OUT PROVISION COMPATIBLE WITH MAXIMIZING BENEFITS TO SOCIETY?

A. Yes. Choices firms face in deciding how to deploy available operating and investment capital most effectively are not merely limited to decisions about which investment is most energy-efficient. In the real world, investments that reduce energy consumption compete with non-energy

investments that may produce greater social benefits. For example, using available capital to expand production capacity and hire and train additional workers may produce social benefits that far outweigh incremental social benefits from reducing energy consumption. Utilities that ignore these foregone incremental non-energy benefits in their DSM and EE program evaluations simply overstate the cost-effectiveness of their programs. Moreover, in my opinion, businesses—not the regulated utility—are better-suited to improve energy efficiency in their particular sector and make decisions on the most cost-effective ways to deploy available business investment capital.

Q. CAN MANDATORY PARTICIPATION AFFECT A FIRM'S COMPETITIVE POSITION?

A. Yes. Payments under mandatory program participation are essentially a tax on a firm's energy consumption. This mandatory tax can adversely affect the competitive position of a large customer relative to a competitor that is not forced to pay an energy efficiency tax. I am aware of more than a dozen states with utility-sponsored EE and DSM programs that allow large commercial and industrial customers to opt out of participation in and cost-responsibility for the programs. As a result, assuming all else equal, not allowing SCE&G's large customers to opt out would put them at a competitive disadvantage relative to competitors in states that allow large customers to opt out.

Q. IS AN OPT-OUT CUSTOMER A FREE RIDER?

A. No. Opponents of opt-out provisions might argue that opt-out customers are free riders since they are exempt from DSM rider surcharges. However, a free-rider problem cannot exist if non-participants self-direct their own cost-effective EE investments or use available capital to fund investments with higher social benefits than SCE&G's DSM investments.

Moreover, if a free-rider problem existed, its effects would be mitigated by the compensating effect of traditional embedded-cost ratemaking. That is, classes that aggressively participate in the DSM programs will likely have a lower percentage of SCE&G's total production costs allocated to them in future rate cases relative to classes that do not aggressively participate. As a result, participating classes may see lower rates relative to non-participating classes in future years.

Q. HAS THE COMMISSION PREVIOUSLY ADDRESSED OPT-OUT ISSUES?

A. Yes. In Docket No. 2008-251-E, the Commission approved an opt-out provision for DSM and EE programs sponsored by PEC. The Commission is currently considering a similar opt-out provision for DEC's large customers in Docket No. 2009-226-E. I have included a copy of PEC's required opt-out certification in Exhibit DWG-1, and a copy of the proposed settlement opt-out provision for DEC's customers in Exhibit DWG-2. The PEC opt-out provision has a minimum load threshold (1,000 MWh annually), but the DEC proposed settlement opt out does not. Both provisions require written certification that the opt-out customer has implemented or plans to implement energy efficiency investments. The DEC settlement provision also requires an energy audit within three years of the customer's opt out.

Q. IN THE PEC CASE, DID THE COMMISSION SPECIFY REASONS FOR APPROVING AN OPT OUT?

A. Yes. In its final order in Docket No. 2008-251-E, the Commission said (Order No. 2009-373 at 9):

> Given that the incentive and opportunity already exists for large commercial and industrial customers to invest in DSM/EE programs even without the proposed DSM/EE Procedure, these

customers should be able to opt out upon notification to PEC and not be required to contribute to the cost of the programs being provided to those customers who have not made such investments and are being provided incentives to do so by PEC. Additionally, requiring large commercial and industrial customers to fund PEC's DSM/EE programs could be anticompetitive where a customer that already has its own programs is being required to pay for PEC programs that are or might be used by its competitors. Moreover, large customers are simply not in a position to bear additional costs for EE and DSM programs that do not apply to them...

Q. HAS SCE&G PROPOSED AN OPT-OUT PROVISION?

A. Yes. In its proposed DSM rate rider, SCE&G has included a provision allowing customers that meet certain conditions to opt out of paying a DSM rider surcharge. To qualify under this provision, an opt-out customer must:

- Meet either of two minimum demand thresholds. More specifically, a customer's average monthly demand in the preceding 12 months must be 3,500 kW or greater for a single location, or at least 6,500 kW for two non-contiguous locations with each location having a minimum 100 kW average demand.
- Certify in writing that it has conducted an energy efficiency audit in the past 3 years and is implementing measures that produce demand and energy savings at least equal to savings anticipated under SCE&G's DSM programs for the applicable customer class.

Q. ARE REQUIREMENTS UNDER SCE&G'S PROPOSED OPT OUT SIMILAR TO OPT-OUT PROVISIONS THAT YOU DESCRIBED FOR PEC AND DEC?

A. Yes. However, SCE&G's proposed opt out provision includes two troubling elements. In particular, SCE&G's proposal:

- Requires an opt-out customer to certify in writing that it is implementing self-financed measures that "are at least equivalent in energy and demand savings to those anticipated under the Company's DSM program for the particular class."
- Puts no restrictions on SCE&G's authority to deny a customer's opt-out request.

Q. SHOULD OPT-OUT CUSTOMERS BE EXEMPT FROM MAKING ENERGY EFFICIENCY INVESTMENTS?

A. No. Requiring an opt-out customer to certify that it has taken or plans to undertake energy efficiency investments with stated and quantifiable energy-saving goals may be both reasonable and justified. Both the PEC and DEC opt-out provisions I have discussed have such a requirement. However, linking opt out to equivalent anticipated demand and energy savings under an applicable SCE&G DSM program is neither reasonable nor justified. SCE&G has explicitly chosen not to set energy savings goals for its DSM programs. If SCE&G is unwilling to set energy savings goals for itself, it should not be allowed to set unspecified energy savings goals and requirements for opt-out customers.

Q. IS YOUR CONCERN ABOUT THE EQUIVALENT SAVINGS ISSUE JUSTIFIED?

A. Yes. I recognize that SCE&G says it has no plan to implement a formal method to verify that an opt-out customer's DSM investments produce

energy savings equivalent to its program offerings.[6] However, SCE&G also says that a customer will be ineligible for opt out if the customer is unable to demonstrate energy and demand savings at least equivalent to those anticipated under SCE&G's DSM programs.[7]

Q. SHOULD THERE BE RESTRICTIONS ON SCE&G'S AUTHORITY TO DENY A CUSTOMER'S OPT-OUT REQUEST?

A. Yes. Under its proposal as filed, conditions under which SCE&G may deny a customer's request to opt out are not specified. This omission gives SCE&G unnecessary and unjustified:

- Discretion over a customer's right to opt out.
- Leverage in contested contract and rate issues involving large customers, since SCE&G could use its power to deny opt out to force customer acquiescence on such issues.

Q. CAN THE PROBLEMS YOU CITE BE FIXED?

A. Yes. The problems can be easily fixed by bringing SCE&G's opt-out provision more in line with the PEC and DEC opt out provisions. More specifically, SCE&G's opt out should be modified to:

- Allow any customer that meets the proposed minimum load thresholds to opt out if the customer certifies that it has implemented or will implement alternative DSM measures with stated and quantifiable energy-saving goals. This straightforward certification eliminates any need for SCE&G's vague and ambiguous equivalent anticipated demand and energy savings requirement.
- Require SCE&G to accept a customer's opt-out request without right of refusal unless the customer fails to certify in

[6] *See* SCE&G's response to Staff's First Audit Information Request 1-22 at Exhibit DWG-3. I have also included in this exhibit other selected responses by SCE&G to requests for information.
[7] *See* SCE&G's response to CMC Steel's request for information 2-7 at Exhibit DWG-3.

writing that it has undertaken or plans to undertake self-directed DSM investments. This provision is consistent with both the PEC and DEC opt-out provisions.

DSM COST AMORTIZATION

Q. HAS SCE&G PROPOSED DEFERRING RECOVERY OF ITS DSM PROGRAM COSTS?

A. Yes. SCE&G has proposed amortizing its DSM program costs over 5 years, the same amortization period the Commission previously approved for its DSM investments in a 1996 rate case order.[8]

Q. IN PEC'S RECENT DSM/EE CASE, DID THE COMMISSION APPROVE A LONGER AMORTIZATION PERIOD?

A. Yes. The Commission approved a 10-year amortization period in that case.[9] More specifically, the Commission approved the deferral and amortization of DSM/EE program costs over 10 years with a carrying cost equal to PEC's last Commission-approved overall return.

Q. WHAT JUSTIFICATION DID THE COMMISSION GIVE FOR APPROVING A 10-YEAR AMORTIZATION?

A. In discussing the 10-year amortization, the Commission said: [10]

> This method allows PEC to only recover its just and reasonable costs and causes the rider to be much lower in the early years than would be the case if all expenses were recovered in the year incurred....This method is in the public interest because it avoids higher rates in the early years of a program before PEC's customers begin realizing program benefits.

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[8] *See* SCE&G's response to Staff First Audit Information Request 1-15 at Exhibit DWG-3.
[9] *See* Docket No. 2008-251-E, Order No. 2009-373 at 26.
[10] *Ibid.* at 22.

1 **Q. IS THAT JUSTIFICATION APPLICABLE TO SCE&G?**

2 **A.** Yes. I see no reason why SCE&G's customers should be treated
3 differently from PEC's customers in terms of the period over which DSM
4 costs are amortized. Moreover, SCE&G has offered no compelling reason
5 for the shorter 5-year amortization that it proposes.

6 **Q. SHOULD THE COMMISSION REQUIRE SCE&G TO AMORTIZE**
7 **ITS DSM PROGRAM COSTS OVER 10 YEARS?**

8 **A.** Yes. In addition, consistent with the Commission's decision in the recent
9 PEC DSM case, the carrying charge applied to the unamortized deferred
10 DSM cost balance should not exceed SCE&G's overall weighted average
11 net-of-tax rate of return approved in its most recent general rate case.

12 **INCENTIVES**

13 **Q. HAS SCE&G INCLUDED AN INCENTIVE MECHANISM IN ITS**
14 **DSM RATE RIDER?**

15 **A.** Yes. SCE&G has asked the Commission to allow a rate of return on its
16 deferred DSM cost balance that includes a 3-percentage point adder to its
17 currently allowed 11 percent return on equity (ROE).

18 **Q. ARE YOU AWARE OF ANY STATE REGULATORY**
19 **COMMISSION THAT HAS APPROVED BOTH LOST MARGIN**
20 **RECOVERY AND AN ROE ADDER FOR A UTILITY'S DSM**
21 **PROGRAM?**

22 **A.** No. Moreover, SCE&G does not identify any state that has adopted both
23 policies for an electric utility.

Q. IS AN ROE ADDER A COMMON FINANCIAL INCENTIVE USED IN DSM COST-RECOVERY MECHANISMS?

A. No. Few states have adopted DSM financial incentives directed at a utility's shareholders, and almost none has adopted an ROE adder incentive applicable to deferred DSM program costs. Nevada is a rare exception. Under Nevada's incentive mechanism, a utility books its monthly DSM program costs in a separate account. At the utility's next rate case, the balance of the DSM program costs—including carrying charges based on the utility's overall allowed rate of return—are moved into the utility's rate base. These rate-based costs are amortized over a specified period, and the utility earns an incentive rate of return on the unamortized balance. The incentive return equals the utility's allowed return on equity plus 500 basis points (5 percent).[11] Nevada does not allow recovery of lost margins resulting from the implementation of DSM measures.[12]

Q. IS SCE&G'S PROPOSED ROE INCENTIVE CONTINGENT ON THE SUCCESS OF ITS DSM PROGRAMS IN ACHIEVING ENERGY SAVINGS?

A. No. SCE&G's proposal is designed solely for the benefit of shareholders at the expense of ratepayers. That is, the incentive is asymmetrical—SCE&G receives an incentive return on every dollar it spends on DSM programs, but gives nothing back to customers if the programs are unsuccessful in producing expected demand and energy savings. The real incentive under SCE&G's proposal is to spend as much as possible on DSM programs regardless of energy savings achieved.

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[11] *See* Nevada Administrative Code 704.9523. The enabling statute is available at http://www.leg.state.nv.us/nac/NAC-704.html#NAC704Sec9523.

[12] *See* Institute for Electric Efficiency, *State Energy Efficiency Regulatory Frameworks*, Washington, DC, June 2009, at 2.

Q. DO THE PEC AND DEC DSM/EE PROGRAMS YOU DISCUSSED EARLIER INCLUDE FINANCIAL INCENTIVES?

A. Yes. Both programs include a shared-savings incentive mechanism in which the level of each company's incentive earnings is linked to the performance of its DSM/EE programs. I am not endorsing either utility's incentive mechanism—only pointing out that each mechanism is linked to the performance of its DSM portfolio.

Q. SHOULD A DSM INCENTIVE MECHANISM BE DESIGNED SOLELY TO MAXIMIZE SHAREHOLDER BENEFITS?

A. No. Any DSM incentive mechanism the Commission adopts should balance the interests of both ratepayers and shareholders. In determining a fair and reasonable DSM financial incentive for SCE&G, the Commission may find useful two insights from a recent report from the Lawrence Berkeley National Laboratory (LBNL):[13]

> ...[I]t is reasonable to expect that utilities that are just starting their energy efficiency efforts may need less of an incentive than utilities with a longer history of energy efficiency efforts and more aggressive savings targets.
>
> ...[I]t may be appropriate to limit the availability of shareholder incentives for energy efficiency to situations in which the utility has committed to significant energy efficiency goals that will produce significant net benefits to ratepayers and society.

[13] *See* Peter Cappers, *et al.*, *Financial Analysis of Incentive Mechanisms to Promote Energy Efficiency: Case Study of a Prototypical Southwest Utility*, Lawrence Berkeley National Laboratory, Berkeley, California, March 2009, at 47.

Q. DOES SCE&G HAVE A HISTORY OF AGGRESSIVE ENERGY EFFICIENCY EFFORTS AND DSM SAVINGS TARGETS?

A. No. SCE&G is just beginning to step up its non-rate DSM efforts. And SCE&G explicitly refuses to set performance targets for its DSM programs. Yet SCE&G is asking the Commission to approve one of the country's most aggressive cost recovery and incentive packages for DSM programs sponsored by an electric utility.

Q. SHOULD THE COMMISSION APPROVE SCE&G'S PROPOSED ROE ADDER INCENTIVE?

A. No. The incentive is excessive, asymmetrical, and unnecessary. As I noted earlier, the combination of lost margin recovery and a carrying charge on unamortized DSM costs equal to SCE&G's overall allowed rate of return should be sufficient to encourage SCE&G to pursue cost-effective DSM measures. The Commission should reject SCE&G's proposed 300 basis point return on equity adder incentive. However, if the Commission determines that a rate-of-return incentive is appropriate, then I recommend initially setting the incentive no higher than 100 basis points above SCE&G's allowed return on equity. A higher ROE incentive should be granted only if it is linked to performance targets for SCE&G's DSM programs.

Q. DO YOU HAVE ANY FINAL CONCERN THAT SHOULD BE ADDRESSED?

A. Yes. SCE&G has proposed recovery of lost net margin revenue to reflect lost earnings associated with lower electricity sales resulting from its DSM programs. In its recent decision regarding PEC's DSM costs, the Commission indicated that allowing PEC to recover net lost revenues met the Commission's obligation under S.C. Code Ann. § 58-37-20 to set rates that ensure a utility's net income is not reduced simply because it offers

DSM/EE programs to customers.[14] As a result, I am not objecting to SCE&G's request to recover what it calls lost net margin revenue.

Under SCE&G's proposal, the mechanism to recover such margins will be adjusted annually to reflect projected lost margins in the next recovery period plus any over- or underrecovery of lost margins in the preceding recovery period. In addition, the amount of net lost margins reflected in the DSM rider will be reset each time SCE&G's base rates are changed in a general rate case since new base rates will reflect DSM-related lost margins. My concern is that under its proposal, SCE&G is allowed to recover through the DSM rider lost margins associated with the implementation of a particular DSM measure from the time it plans to make the DSM expenditure (lost net margin revenue is forecast annually based on expected market penetration of each DSM measures in a projected recovery period) until base rates are adjusted in a general rate case. This timing issue was addressed in the recent PEC case, in which the Commission approved a settlement stipulation that said:

> PEC will be allowed to recover net lost revenues for ***three years*** from the installation of a measure as part of a DSM/EE program, or until PEC's next general rate case when any lost revenues are addresses, whichever time period is ***shorter***.[15] (Emphasis added.)

[14] *See* Docket No. 2008-251-E, Order No. 2009-373 at 7.
[15] *Ibid.* at 7, footnote 3.

Q. SHOULD THE COMMISSION LIMIT THE PERIOD WHEN SCE&G RECOVERS LOST NET MARGIN REVENUE ASSOCIATED WITH DSM EXPENDITURES IN A PARTICULAR YEAR?

A. Yes. SCE&G should only be allowed to recover lost net margin revenue associated with DSM expenditures in a particular year (vintage) for three years, or until its base rates are adjusted in a general rate case, whichever time period is shorter.

Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?

A. Yes.

STATE OF SOUTH CAROLINA
BEFORE THE
SOUTH CAROLINA PUBLIC SERVICE COMMISSION

DOCKET NO. 2009-261-E

SOUTH CAROLINA ELECTRIC & GAS COMPANY'S REQUEST FOR APPROVAL OF DEMAND SIDE MANAGEMENT PLAN INCLUDING A DEMAND SIDE MANAGEMENT RATE RIDER AND PORTFOLIO OF ENERGY EFFICIENCY PROGRAMS

EXHIBITS TO THE
DIRECT TESTIMONY OF
DR. DENNIS W. GOINS
ON BEHALF OF
CMC STEEL SOUTH CAROLINA

January 7, 2010

EXHIBIT DWG-1

PROGRESS ENERGY CAROLINAS: OPT OUT

SC CUSTOMER OPT OUT TEMPLATE

Progress Energy Carolinas, Inc.
CSC - CIGS Team
PO Box 1771
Raleigh, NC 27602

Dear Progress Energy:

The purpose of this letter is to notify Progress Energy Carolinas (PEC) of our decision to not participate in the annual cost recovery rider for PEC's Demand-Side Management (DSM) and Energy Efficiency (EE) Programs. At our own expense, we have already implemented or will be implementing alternative DSM/EE measures, in accordance with stated, quantifiable goals for demand-side management and energy efficiency.

Therefore, we are requesting that the following PEC accounts (or list attached) be excluded from charges associated with PEC's DSM/EE programs:

PEC Account Number(s):

_____ _____ _____

_____ _____ _____

_____ _____ _____

_____ _____ _____

We understand PEC will be informing the SC Public Service Commission of our decision to opt out these accounts.

Yours very truly,

Company Name: _____

Signed _____
Title: _____
Date: _____

EXHIBIT DWG-2

DUKE ENERGY CAROLINAS: PROPOSED SETTLEMENT OPT OUT

RIDER EE (SC)
ENERGY EFFICIENCY RIDER

APPLICABILITY (South Carolina Only)
Service supplied under the Company's rate schedules is subject to approved energy efficiency adjustments over or under the Rate set forth in the approved rate schedules for energy efficiency programs approved by the Public Service Commission of South Carolina (PSCSC).

GENERAL PROVISIONS
This Rider will recover the cost of Duke Energy Carolinas' Save-a-Watt ("SAW") energy efficiency and demand-side management programs, using the method approved by the PSCSC, for programs implemented over a 4 year period (*i.e.*, comprising four 12-month program years or "Vintage Years"). In each year this Rider will include components to recover revenue requirements related to demand-side management and energy efficiency programs implemented in that vintage, as well as lost revenues resulting from the energy efficiency programs. Lost revenues associated with each vintage will be recovered for 36 months upon implementation. As a result the Rider will continue beyond the 4 year period to fully recover lost revenues for programs in years 3 and 4.

Revenue requirements for SAW demand-side management programs will be determined on a system basis and allocated to South Carolina retail customers based on the class contribution to system retail peak demand. Revenue requirements for energy efficiency programs will be determined at a system level for both the residential and non-residential customer classes. Within each class, South Carolina retail amounts will be determined by an allocation based on the class contribution to retail sales.

The Rider will recover the cost of Duke Energy Carolinas' Interruptible Service and Stand-By Generator programs ("Existing DSM Programs") based on the cost of bill credits and amounts paid to customers participating on these programs ("Program Costs"). Revenue requirements will be determined on a system basis and allocated to SC retail customer classes based on the class contribution to system peak demand.

All allocation factors will be based on the Company's cost of service study and will exclude the amounts related to customers that elect to opt out of this Rider.

TRUE-UP PROVISIONS
Rider amounts for SAW programs will initially be determined based on estimated kW and kWh impacts related to expected customer participation in the programs, and will be trued-up as actual customer participation and actual kw and kwh impacts are verified.

Participation true-ups: After the first year, the Rider will include a true-up of previous Rider amounts billed to reflect actual customer participation in the programs.

Measurement and verification true-up: EM&V activities and results will be included in a mid-term EM&V-based true-up process that will be reflected in Vintage Year 3 Rider EE collections. A final EM&V true-up reflected in Vintage Year 6 Rider EE collections will incorporate all EM&V studies completed since the mid-term EM&V true-up. EM&V results will include measure-level savings adjustments and net-to-gross analysis. In addition, the mid-term and final true-ups will incorporate the most recent EM&V results in the avoided cost true-up, the lost revenue true-up, and the earnings cap true-up.

Earnings cap true-up: In the sixth year a true up will be billed, if applicable, to refund amounts collected through the Rider in excess of the earnings cap, in accordance with the following levels of achievement and allowed return on investment.

Percentage Actual Target Achievement	Return on Investment Cap on Program Costs Percentage
>=90%	15%
80% to 89%	12%
60% to 79%	9%
< 60%	5%

Rider amounts for Existing DSM Programs initially will be estimated program costs for the calendar year and will be trued-up to actual a subsequent rider.

DETERMINATION OF ENERGY EFFICIENCY RIDER ADJUSTMENT
Energy Efficiency Adjustments (EEA) will be applied to the energy (kilowatt hours) billed of all rate schedules for each vintage as determined by the following formula:

EEA Residential (expressed as cents per kwh) = SAW Residential Adjustment + Existing DSM Residential Adjustment

SAW Residential Adjustment = Residential Avoided Cost Revenue Requirement + Residential Lost Revenues / Forecasted Residential kWh Sales for the Rider billing period

Where
Residential Avoided Cost Revenue Requirement = (Residential Demand Side Management Program Avoided Cost Revenue Requirement * 75%) + (Residential Energy Efficiency Program Avoided Cost Revenue Requirement * 55%)

And
Existing DSM Residential Adjustment = Non-SAW Residential Program Costs / Forecasted Residential kWh Sales for the Rider billing period

EEA Non-residential (expressed as cents per kwh) = SAW Non-residential Adjustment + Existing DSM Non-residential Adjustment

SAW Non-residential Adjustment = Non-residential Avoided Cost Revenue Requirement + Non-residential Lost Revenues / Forecasted Non-residential kWh Sales (excluding opt out sales) for the Rider billing period

Where
Non-residential Avoided Cost Revenue Requirement = (Non-residential Demand Side Management Program Avoided Cost Revenue Requirement * 75%) + (Non-residential Energy Efficiency Program Avoided Cost Revenue Requirement * 55%)

And
Existing DSM Non-residential Adjustment = Non-SAW Non-residential Program Costs / Forecasted Non-residential kWh Sales (excluding opt out sales) for the Rider billing period

ENERGY EFFICIENCY RIDER ADJUSTMENTS (EEA)
As a result of the Commission's Order No. _____ in Docket No. 2009-226-E, the EEA applicable to the residential and nonresidential rate schedules for the period (date) through (date), including revenue-related taxes and utility assessments, are as follows:

Residential	Nonresidential	
0.1736 ¢ per kWh	Energy Efficiency	0.0195¢ per kWh
	Demand-Side Management	0.0360¢ per kWh

OPT OUT PROVISION FOR QUALIFYING MANUFACTURING CUSTOMERS
The Nonresidential EEA increment applicable to energy efficiency programs and/or demand-side management programs will not be applied to the energy billed to the Customer under the applicable nonresidential rate schedule for Customers qualified to opt out of the programs where:

a. The Customer attests or certifies to the Company that it has performed or had performed for it an energy audit or analysis within the three year period preceding the opt out request and has implemented or has plans for implementing the cost-effective energy efficiency measures recommended in that audit or analysis; and
b. The Customer is served under an electric service agreement where the establishment is classified as a "manufacturing industry" by the Standard Industrial Classification Manual published by the United States Government, and where more than 50% of the electric energy consumption of such establishment is used for its manufacturing processes.

For Customers who elect to opt out of Energy Efficiency Programs, the following provisions also apply:
- Qualifying customers may opt out of the Company's energy efficiency programs each calendar year only during an annual two month enrollment period beginning January.1 and concluding March 1.
- Customers may not opt out of individual energy efficiency programs offered by the Company. The choice to opt out applies to the Company's entire portfolio of energy efficiency programs.

• If a customer participates in any vintage of energy efficiency programs, the customer, irrespective of future opt-out decisions, remains obligated to pay the remaining portion of the lost revenues for each vintage of efficiency programs in which the customer participated..

For Customers who elect to opt out of Demand Side Management Programs, the following provisions also apply:

• Qualifying customers may make a one-time election for the 4 year plan to opt out of the Company's demand-side management programs within 60 days after the effective date of new rates and charges approved by the PSCSC in Docket No. 2009-226-E.

• If a customer elects to participate in a demand-side management program, the customer may not subsequently choose to opt out of the program for the remaining term of the 4 year plan.

EXHIBIT DWG-3

SCE&G'S RESPONSES TO SELECTED RFIS

SOUTH CAROLINA ELECTRIC & GAS COMPANY
CMC STEEL SOUTH CAROLINA'S FIRST SET OF
CONTINUING DATA REQUESTS
DOCKET NO. 2009-261-E

REQUEST NO. 1-5

According to page 12 of SCE&G's Request for the Establishment and Approval of DSM Programs and Rate Rider, filed June 30, 2009, "SCE&G...will assess the likelihood that the customer will make the improvements even in the absence of an incentive from SCE&G." Explain how SCE&G will make this "assessment." Please include the criteria and benchmarks that SCE&G will employee in making this assessment.

RESPONSE NO. 1-5

The requirement referenced above applies to the Commercial and Industrial Custom program as proposed in the petition. When requests for incentives are made under that program, a SCE&G representative will review engineering information provided by the customer related to each measure that the customer proposes to implement. Included in the information about each measure will be data concerning the cost of the measure (including installation or other related costs), the anticipated energy and demand savings from the measure, the anticipated payback period and the estimated lifetime of the measure.

As with each of the proposed DSM programs indicated in the petition in this matter, the Commercial and Industrial Custom program is intended to provide incentives only where those incentives are reasonably likely to motivate customers to undertake measures which the customers would not otherwise undertake. Therefore, where the anticipated payback period is significantly shorter than the customer's actual maximum payback period, if known, or where the payback period is significantly shorter than reasonable industry standard at the time, then SCE&G may conclude that customer will proceed with the measure without the need for an incentive.

The maximum payback period may vary from time to time based on economic conditions, interest rates and the cost and availability of capital. The maximum payback period may also depend on customer-specific or industry-specific factors such as the degree to which energy efficiency is seen by the customer or industry as a competitive imperative, a future or emerging industry standard or requirement or equipment obsolescence and the internal cost of funds rate used by the customer to calculate the maximum payback period.

In administering the program, SCE&G representatives will use their knowledge of industry conditions and customer behavior to make assessments, often in dialogue with customers, and will base their decision to offer an incentive and the amount on their professional judgment, experience, and determination of the incentive level required to allow implementation of a proposed higher efficiency measure to align favorably with typical customer project evaluation parameters.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
CMC STEEL SOUTH CAROLINA'S FIRST SET OF
CONTINUING DATA REQUESTS
DOCKET NO. 2009-261-E

REQUEST NO. 1-7

Why should the Commission "allow SCE&G the flexibility to modify, expand, amend, terminate and/or add any program to its suite of programs going forward without the requirement to seek prior Commission approval to do so" as proposed at pages 13-14 of SCE&G's Request for the Establishment and Approval of DSM Programs and Rate Rider?

RESPONSE NO. 1-7

SCE&G is asking that the Commission require it to provide the Commission and ORS with annual filings to update the results achieved by its DSM programs, and to allow oversight by the Commission and ORS of the costs of the programs and any changes in them. In the period between annual reviews, SCE&G seeks authorization to modify, expand, amend, terminate and/or add programs subject to review by the Commission and ORS in the annual review proceedings.

SCE&G believes that the requested flexibility to change programs between annual reviews is important to maximize the benefits of its DSM programs and to manage their costs. As SCE&G rolls out programs, it will gain important information about customers' actual interests, needs and responses. Based on that information, some programs may need to be restructured, and their terms or incentives may need to be revised. Other programs may prove more popular and beneficial than anticipated and may need to be expanded. Still others programs may prove to be less popular and beneficial than anticipated and may need to be limited or terminated. In addition, some programs may need to be changed over time as federal and other energy efficiency standards are tightened, and as economic conditions and customer behavior change.

SCE&G believes that it is in the best interest of its customers and the public generally that SCE&G be able to move quickly to respond to new information about customer responses and behavior, and to make the indicated changes in its DSM programs. SCE&G believes that requiring these program changes to be reviewed annually, after the fact, will strike the proper balance between flexibility and regulatory oversight, will allow for faster evolution of programs to meet customer needs, and will make for a more efficient and effective suite of programs in the long run.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
CMC STEEL SOUTH CAROLINA'S FIRST SET OF
CONTINUING DATA REQUESTS
DOCKET NO. 2009-261-E

REQUEST NO. 1-8

Why should the Commission allow SCE&G the very incentive-heavy recovery proposed at page 14 of SCE&G's Request for the Establishment and Approval of DSM Programs and Rate Rider?

RESPONSE NO. 1-8

S.C. Code § 58-37-20 (Supp. 2008) provides that the Public Service Commission of South Carolina ("Commission") may adopt procedures that encourage electric utilities that are subject to the jurisdiction of the Commission to invest in cost-effective energy technologies and energy conservation programs. The statute also states that if the Commission adopts such procedures, these procedures must provide incentives and cost recovery for energy suppliers who invest in energy supply and end-use technologies that are cost-effective, environmentally acceptable, and reduce energy consumption or demand.

SCE&G has filed for a reasonable incentive adder that will enable the Company to continue to attract and maintain capital at reasonable rates to support the DSM program as well as traditional utility service.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
CMC STEEL SOUTH CAROLINA'S FIRST SET OF
CONTINUING DATA REQUESTS
DOCKET NO. 2009-261-E

REQUEST NO. 1-9

Regarding the "Opt-Out Provision for Large Commercial and Industrial Customers", set forth at Exhibit 2 of SCE&G's Request for the Establishment and Approval of DSM Programs and Rate Rider, is SCE&G aware of the Opt-Out that was approved by the Commission in 2008-251-E? Why should the Opt-Out Provision approved in this docket differ from that approved in 2008-251-E?

RESPONSE NO. 1-9

SCE&G is aware of the Opt-Out that was approved by the Commission in 2008-251-E. SCE&G has proposed an Opt-Out provision to reflect its customer base and mix of residential, commercial and industrial customers. The currently proposed Opt-Out provision is based upon kW demand, which tends to have far less variability than kWh consumption, and requires a minimum eligibility requirement of 3500 kW in order to minimize the rate impacts to customers that do not elect to opt-out while maximizing potential energy and demand savings impact of the proposed Commercial and Industrial DSM programs. Other Opt-Out eligibility requirements for conducting an energy audit are consistent with SCE&G's objective of promoting increased energy efficiency and conservation among all customer classes.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
CMC STEEL SOUTH CAROLINA'S FIRST SET OF
CONTINUING DATA REQUESTS
DOCKET NO. 2009-261-E

REQUEST NO. 1-10

Regarding the "Opt-Out Provision for Large Commercial and Industrial Customers", set forth at Exhibit 2 of SCE&G's Request for the Establishment and Approval of DSM Programs and Rate Rider, paragraph 5 states that a customer's request to opt-out may be "denied or discontinued". By whom would the customer's request be "denied or discontinued"? Also, what criteria, standards and benchmarks would be used in determining that a request should be "denied or discontinued"?

RESPONSE NO. 1-10

An SCE&G representative will make a determination regarding denial or discontinuance of a customer's request to opt-out of the Company's DSM programs. The criteria on which such a denial or discontinuance will be made will be based on an assessment of whether a customer has met all eligibility requirements as outlined in Exhibit 2, paragraphs 1 – 5. Customer eligibility will be reviewed by SCE&G on an annual basis.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
CMC STEEL SOUTH CAROLINA'S SECOND SET OF
CONTINUING DATA REQUESTS
DOCKET NO. 2009-261-E

REQUEST NO. 2-1

Please explain in detail why SCE&G should be allowed an ROE incentive in addition to recovery of lost net margin revenue under its proposed DSM cost recovery rider.

RESPONSE NO. 2-1

In order to adequately compensate and encourage SCE&G to invest in and promote DSM programs, it is important to provide SCE&G with timely cost recovery of all DSM costs including recovery of net lost margin revenues and an incentive component for promoting such programs.

The recovery of program costs, net lost margin revenues and an incentive component is consistent with S.C. Code Ann. § 58-37-20. The recovery of net lost margin revenues is critical to ensuring that the net income of the Company is at least as high as the net income would have been if the DSM Program had not been offered to its customers. The return on equity incentive will enable the Company to continue to attract and maintain capital at reasonable rates to support the DSM Program as well as traditional utility service.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
CMC STEEL SOUTH CAROLINA'S SECOND SET OF
CONTINUING DATA REQUESTS
DOCKET NO. 2009-261-E

REQUEST NO. 2-2

Please identify each utility known to SCE&G that has been allowed to earn an incentive ROE of 3 percentage points on its DSM programs in addition to recovering estimated lost net margin revenue.

RESPONSE NO. 2-2

SCE&G does not know how many utilities have been allowed to earn an incentive ROE of 3 percentage points on its DSM programs in addition to recovering estimated lost net margin revenue. However, it is SCE&G's understanding that the State of Nevada allows a bonus rate of return for demand-side management that is 5% higher than authorized rates of return for supply investments.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
CMC STEEL SOUTH CAROLINA'S SECOND SET OF
CONTINUING DATA REQUESTS
DOCKET NO. 2009-261-E

REQUEST NO. 2-3

SCE&G's application implies that SCE&G will have sole responsibility for verifying annual energy savings achieved through its DSM programs. Why has SCE&G not proposed using an unbiased outside third party to measure and verify annual energy savings attributable to its DSM programs?

RESPONSE NO. 2-3

SCE&G has not yet determined whether to utilize a third party to measure and verify the annual energy savings attributable to its DSM programs versus making such an evaluation by utilizing intra-company resources or some combination of each approach. If the Company chooses to use internal resources, it will objectively, and without bias, measure and verify annual savings attributable to each DSM program. It is in the Company's best interest as well as the best interest of its customers that evaluation be performed to allow for the true measurement of the worth of any DSM program.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
CMC STEEL SOUTH CAROLINA'S SECOND SET OF
CONTINUING DATA REQUESTS
DOCKET NO. 2009-261-E

REQUEST NO. 2-7

Referring to Exhibit 2. Section 3 of SCE&G's application, explain in detail what SCE&G proposes concerning an opt-out request if a customer's energy audit in the past 3 years did not identify energy and demand savings at least equivalent to those anticipated under the Company's DSM program for the applicable customer class.

RESPONSE NO. 2-7

A customer must meet all eligibility requirements identified in Exhibit 2 of SCE&G's Application. As such, if a customer is unable to demonstrate energy and demand savings at least equivalent to those anticipated under the Company's DSM programs, the customer will not be eligible to opt-out.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OFFICE OF REGULATORY STAFF'S
FIRST AUDIT INFORMATION REQUEST
DOCKET NO. 2009-261-E

REQUEST NO. 1-1

Please describe the Company's general approach for setting the rebate amounts specified for the programs proposed in the application. If the approach varies for different programs, please describe the approach used for each program.

RESPONSE NO. 1-1

The incentives were generally set at a level sufficient to buy down the participant's simple payback associated with the efficient measure's incremental cost to either 1 or 1½ years (depending on the customer class), constrained by a requirement that the incentives could not exceed 75% of the incremental cost and could not be less than 25% of the incremental cost. Where experience with other programs suggested that a different incentive may be appropriate, the incentives were adjusted to reflect such program experience. As noted in the filing, the incentives are illustrative and SCE&G expects to tailor its incentives as the program designs and qualifying measure lists are finalized and if program implementation experience suggests that greater or lesser incentives would be appropriate.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OFFICE OF REGULATORY STAFF'S
FIRST AUDIT INFORMATION REQUEST
DOCKET NO. 2009-261-E

REQUEST NO. 1-2

Please discuss the approaches that will be used to develop program rebates for the Commercial and Industrial Prescriptive and Custom programs, as no numerical rebates were specified for those programs in the application.

RESPONSE NO. 1-2

The prescriptive incentives will be set on a measure-by-measure basis based upon the Company's analysis of the anticipated electricity savings of each measure and its incremental costs (i.e., the cost of the efficient measure over and above the cost of the baseline measure). The incentive necessary to buy down the participant's payback of the efficient investment to approximately one or one and one half years will be calculated. The 75%/25% constraints discussed in the response to ORS 1-1 will be applied. Based on this a target incentive will be calculated. This target incentive will be evaluated on a measure-by-measure basis, considering factors such as (but not limited to): the number of customers adopting the efficient measure even in the absence of incentives, tax credits, complexity and newness of the technology, other benefits of the technology (such as contributions to the quality of service), potential diversity in the savings levels experienced by different customer types, other support services provided by the program, consistency between utility service territories, alignment with state, federal, or local programs, availability of manufacturer incentives, measure specific barriers to participation, and incentive levels that have proven successful in other jurisdictions. If necessary, the target incentive will be adjusted to reflect these considerations and a final incentive will be determined. Final incentives will be further validated to ensure that they are consistent with cost-effectiveness criteria and anticipated results.

Custom incentives will be calculated on a project-by-project basis based on the anticipated electricity savings and incremental costs. Incentives are currently not anticipated to exceed the value to SCE&G's system of the avoided kW demand, and will vary based upon the lifetime of the savings. Lesser incentives may be offered. Incentives may be structured on a per-kWh basis, a per kW basis, or a combination of per-kW and per-kWh.

When requests for incentives are made under the program, a SCE&G representative will review engineering information provided by the customer related to each measure that the customer proposes to implement. Included in the information about each measure will be data concerning the cost of the measure (including installation or other related costs), the anticipated energy and demand

savings from the measure, the anticipated payback period and the estimated lifetime of the measure.

As with each of the proposed DSM programs indicated in the petition in this matter, the Commercial and Industrial Custom program is intended to provide incentives only where those incentives are reasonably likely to motivate customers to undertake measures which the customers would not otherwise undertake. Therefore, where the anticipated payback period is significantly shorter than the customer's actual maximum payback period, if known, or where the payback period is significantly shorter than reasonable industry standard at the time, then SCE&G may conclude that customer will proceed with the measure without the need for an incentive.

The maximum payback period may vary from time to time based on economic conditions, interest rates and the cost and availability of capital. The maximum payback period may also depend on customer-specific or industry-specific factors such as the degree to which energy efficiency is seen by the customer or industry as a competitive imperative, a future or emerging industry standard or requirement or equipment obsolescence and the internal cost of funds rate used by the customer to calculate the maximum payback period.

In administering the program, SCE&G representatives will use their knowledge of industry conditions and customer behavior to make assessments, often in dialogue with customers, and will base their decision to offer an incentive and the amount on their professional judgment, experience, and determination of the incentive level required to allow implementation of a proposed higher efficiency measure to align favorably with typical customer project evaluation parameters.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OFFICE OF REGULATORY STAFF'S
FIRST AUDIT INFORMATION REQUEST
DOCKET NO. 2009-261-E

REQUEST NO. 1-3

Why did the Company not propose a commercial and industrial new construction program, while proposing a residential new construction program (ENERGY STAR New Homes)?

RESPONSE NO. 1-3

The Company is open to considering a commercial and industrial new construction program in the future, particularly as the Company gains additional insights into the needs of commercial and industrial customers through the implementation of the programs that are currently proposed. However, the Company did not propose a commercial and industrial new construction program at this time for several reasons. Commercial and industrial customers contemplating new construction will be able to participate in both the commercial and industrial prescriptive program and the commercial and industrial custom program as they have been proposed in this proceeding. These programs will provide significant incentives for commercial and industrial customers to invest in high efficiency lighting, HVAC units, motors, and other equipment. The commercial and industrial custom program also allows incentives tailored to individual customer plans and needs, which is particularly useful when considering a new construction project.

In this regard, the cycle time for commercial and industrial projects can be 2-3 years or longer, and given current economic conditions, it is the Company's perception that few new commercial and industrial projects are presently in the early planning stages where programs like a commercial and industrial new construction program could have significant benefit. Furthermore, given the complexity of commercial and industrial new construction programs, it has been the experience of other program administrators that they are best rolled out after a provider has established a foundation for marketing energy efficiency programs through successfully implementing less difficult and less expensive programs for this market sector. For these reasons, the Company is not proposing a commercial and industrial new construction program at this time, but will continue to evaluate the potential to roll out such a program in the future.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OFFICE OF REGULATORY STAFF'S
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REQUEST NO. 1-7

Please provide the 'Measures Library' developed by Morgan Marketing Partners, as referenced on page 2 of Exhibit 1.

RESPONSE NO. 1-7

SCE&G will make the Measures Library available to the South Carolina Office of Regulatory Staff.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OFFICE OF REGULATORY STAFF'S
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DOCKET NO. 2009-261-E

REQUEST NO. 1-13

The Company's proposed energy and demand savings goals specified in Table 1 are cumulative values. The incremental savings goals for years two and three increase by approximately 20% per year. How did the Company develop its proposed program goals, and does the Company think that the proposed goals are the most that can be realistically and economically achieved in the programs' first three years?

RESPONSE NO. 1-13

The anticipated savings from the programs as proposed in this proceeding are an estimate of likely future benefits based on SCE&G's "bottom-up" evaluation of DSM potential on the Company's system and the program-by-program analysis of potential future benefit which underlies each of the programs proposed. The Company believes that the forecasted reductions in demand and energy represent a reasonable estimate of the results that may be achieved by these programs as proposed, but the actual results will depend on factors such as customer acceptance of the measures, economic conditions in the Company's service territory, the development and improvement in energy efficiency technologies, and other factors. The Company will continue to evaluate the results of its programs and will adjust its forecasts of anticipated savings from these programs, up or down, as conditions warrant.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
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REQUEST NO. 1-15

The Company proposes to amortize its DSM program costs over a five year period, and to earn a 3% greater return on DSM investments than on supply-side investments. The SC PSC approved a DSM cost recovery mechanism for Progress Energy that amortizes program costs over a 10 year period. Please explain why the Company believes that its proposal is superior to that approved for Progress Energy.

RESPONSE NO. 1-15

The programs proposed by SCE&G are specific to the Company's system and customers and are designed to provide programs and incentives that encourage our customers to embrace energy efficiency and management of demand. Moreover, SCE&G has developed its programs and proposes to amortize the costs thereof over five years as previously approved by the Commission for the Company in Docket Number 95-1000-E, Order Number 96-15, pages 18-19.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
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REQUEST NO. 1-16

Why does the Company propose to define lost margins due to DSM as equal to the electric revenue by rate schedule less fuel costs? In particular, please explain why other variable costs beyond fuel costs are not proposed to be included in the calculation.

RESPONSE NO. 1-16

Prudently incurred fuel costs are recovered under the Company's Fuel and Variable Environmental Cost Clause tariff for electric operations. If a DSM program reduces the Company's incurred fuel cost, then that reduction is a direct savings for the Company and its customers.

The Company refers to the remainder of its non-fuel electric revenue as margin. Margin revenue is used to fund the day-to-day operations of the Company including Other O&M (includes variable O&M), Taxes, Depreciation, Cost of Capital, etc. Other variable O&M costs are recovered as a component of non-fuel O&M in the Company's base rates.

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REQUEST NO. 1-17

In calculating lost net margin revenue, please define exactly what components would be in "fuel costs."

RESPONSE NO. 1-17

All costs associated with SCE&G's Adjustment for Fuel and Variable Environmental Costs Clause (Base and Environmental) would be considered "fuel costs."

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REQUEST NO. 1-18

In calculating net lost margins, the filing indicates that 'actual market penetration data' will be converted to MWH and used to predict net lost margins. How will the company assure that the actual market penetration for specific DSM measures is attributable to the DSM program and not other market forces?

RESPONSE NO. 1-18

The Company's evaluation, measurement, and verification ("EM&V") processes will be designed to isolate the net effect on participation due the Company's programs from participation occurring due to other market forces. For planning purposes, all programs have included a "net-to-gross" ratio that sets forth the Company's current best estimate of net participation based on the experience of its consultant with similar programs nationally. As the EM&V process yields updated estimates of net-to-gross ratios, such updated estimates will be used prospectively for all future cost-effectiveness and net lost margin calculations.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
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REQUEST NO. 1-19

Please provide a 'mock example' (using figures and program dates) of the operations and calculations of the "Cost Recovery" components ('a' through 'd') in section 4 of Exhibit 1.

RESPONSE NO. 1-19

See attached.

SCE&G

DSM Rate Calculation Example

(Numbers used are for illustrative purposes only)

	Total	Residential	SGS	MGS	LGS
1) **Estimated Amortization Expense**					
- Projected DSM Account Balance @ 11/30/2009	$ 3,500,000	$ 2,400,000	$ 370,000	$ 240,000	$ 490,000
÷ 5 Years = Annual Amortization Estimate	$ 700,000	$ 480,000	$ 74,000	$ 48,000	$ 98,000
2) **Forecasted Lost Revenue**					
Estimate for 12/1/2009 through 11/30/2010	$ 7,000,000	$ 2,570,000	$ 1,055,000	$ 805,300	$ 2,569,700
3) **Estimated Carrying Costs**					
For Period 12/1/2009 through 11/30/2010	$ 1,500,000	$ 900,000	$ 200,000	$ 150,000	$ 250,000
4) **Annual Total Cost Estimate for Recovery**	$ 9,200,000	$ 3,950,000	$ 1,329,000	$ 1,003,300	$ 2,917,700
5) **Projected Sales in GWH During First Rate Period**					
May, 2010 - April, 2011	23,000	8,500	3,500	2,500	8,500
6) **Estimated Rate per KWH**		$ 0.00046	$ 0.00038	$ 0.00040	$ 0.00034

SOUTH CAROLINA ELECTRIC & GAS COMPANY
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REQUEST NO. 1-21

Please discuss how the Company's proposed DSM opt-out provisions compare to common industry practices.

RESPONSE NO. 1-21

The Company believes that its proposed opt-out provisions represent an appropriate balancing of the interests of all parties. The continuum of opt-out provisions in the industry includes:

1. **None** – some states do not permit any customer classes (other than sales-for-resale) to opt-out of the programs and all customer classes share in both the cost of the programs and, typically, have an opportunity to participate in one or more programs.

2. **Comprehensive Demonstration** – some states require that customers wishing to opt-out must submit a detailed application that details the specific nature of all the projects they have or anticipate undertaking and requires periodic validation of progress against a goal.

3. **Simple Election** – some states require that customers simply submit a form letter indicating their desire to opt-out.

The Company's approach is a middle ground between the Comprehensive Demonstration and Simple Election opt out provisions stated above. It requires the customer to certify in writing that it has conducted an energy audit within the last three years and is implementing programs which will produce results that are at least equivalent to those that would be achieved under the Company's programs. The Company does not propose to audit or verify customer certifications.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
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REQUEST NO. 1-22

Are there any provisions for verifying the "measures that are at least equivalent in energy and demand savings to those anticipated under the Company's DSM program for the applicable customer class" that are to be certified in writing – as stated in Exhibit 2?

RESPONSE NO. 1-22

At this time, the Company does not plan to implement any formal method of verifying equivalency, but will rely upon the customer's verification, as reviewed by SCE&G representatives.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
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REQUEST NO. 1-23

What evaluation, measurement and verification (EM&V) does the company have planned for the portfolio of programs to assure that estimated savings are realized? It appears that the proposed incentive return is to be based solely on program costs, not performance in terms of MW/MWh reductions achieved, while net lost revenues are based in part on projected reductions in electricity sales. Is the company proposing to link EM&V results to incentives claimed?

RESPONSE NO. 1-23

The Company has budgeted 5 percent of program costs for EM&V. Program evaluation budgets nationwide range from 1 to 8 percent of program costs. The national average is approximately 3.5 to 4 percent. The Company anticipates that EM&V evaluations will use industry best practices to assess program savings. Such practices may include participant and non-participant surveys, billing analysis, unit metering, and other techniques as may be appropriate and cost effective.

The Company will use actual EM&V results in its prospective planning and lost net margin revenue calculations. The Company will apply EM&V results prospectively (as opposed to retroactively) to calculate lost net margin revenue. Any differences in the calculation of forecasted lost net margin revenue to actual will be reflected as an increase or decrease to the revenue required to be collected under the rate rider proposed in the prospective review period.

As EM&V data becomes available, it will be used to update the forecasted kW and kWh impacts of measures as set forth in the data library and will, therefore, be used in calculating lost net margin revenue in future periods.

APPENDIX

QUALIFICATIONS OF

DENNIS W. GOINS

DENNIS W. GOINS

PRESENT POSITION

Economic Consultant, Potomac Management Group, Alexandria, Virginia.

PREVIOUS POSITIONS

- Vice President, Hagler, Bailly & Company, Washington, DC.
- Principal, Resource Consulting Group, Inc., Cambridge, Massachusetts.
- Senior Associate, Resource Planning Associates, Inc., Cambridge, Massachusetts.
- Economist, North Carolina Utilities Commission, Raleigh, North Carolina.

EDUCATION

College	Major	Degree
Wake Forest University	Economics	BA
North Carolina State University	Economics	ME
North Carolina State University	Economics	PhD

RELEVANT EXPERIENCE

Dr. Goins specializes in pricing, planning, and market structure issues affecting firms that buy and sell products in electricity and natural gas markets. He has extensive experience in evaluating competitive market conditions, analyzing power and fuel requirements, prices, market operations, and transactions, developing product pricing strategies, setting rates for energy-related products and services, and negotiating power supply and natural gas contracts for private and public entities. He has participated in more than 100 cases as an expert on competitive market issues, utility restructuring, power market planning and operations, utility mergers, rate design, cost of service, and management prudence before the Federal Energy Regulatory Commission, the General Accounting Office, the First Judicial District Court of Montana, the Circuit Court of Kanawha County, West Virginia, and regulatory commissions in Alabama, Arizona, Arkansas, Colorado, Florida, Georgia, Hawaii, Idaho, Illinois, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Mississippi, New Jersey, New York, North Carolina, Ohio, Oklahoma, South Carolina, Texas, Utah, Vermont, Virginia, and the District of Columbia. He has also prepared an expert

report on behalf of the United States regarding pricing and contract issues in a case before the United States Court of Federal Claims.

PARTICIPATION IN REGULATORY, ADMINISTRATIVE, AND COURT PROCEEDINGS

1. Kauai Island Utility Cooperative, before the Hawaii Public Utilities Commission, Docket No. 2009-0050 (2010), on behalf of Kauai Marriott Resort & Beach Club, re retail cost allocation and rate design issues.
2. Entergy Arkansas, Inc., before the Arkansas Public Service Commission, Docket No. 09-024-U (2009), on behalf of Arkansas Electric Energy Consumers, Inc., re power plant environmental retrofit.
3. Appalachian Power Company, before the Virginia State Corporation Commission, Case No. PUE-2009-00030 (2009), on behalf of Steel Dynamics, Inc., re retail cost allocation and rate design issues.
4. Ohio Edison *et al.*, before the Public Utilities Commission of Ohio, Case No. 09-906-EL-SSO (2009), on behalf of Nucor Steel Marion, Inc., re market rate offer.
5. Dominion North Carolina Power, before the North Carolina Utilities Commission, Docket No. E-22, Sub 456 (2009), on behalf of Nucor Steel-Hertford, re fuel cost adjustment.
6. Appalachian Power Company, before the Virginia State Corporation Commission, Case No. PUE-2009-00068 (2009), on behalf of Steel Dynamics, Inc., re demand response programs.
7. Indiana Michigan Power Company, before the Indiana Utility Regulatory Commission, Cause No. 43750 (2009), on behalf of Steel Dynamics, Inc., re wind power purchased power agreement.
8. Entergy Arkansas, Inc., before the Arkansas Public Service Commission, Docket No. 07-085-TF (2009), on behalf of Arkansas Electric Energy Consumers, Inc., re energy efficiency cost recovery.
9. CenterPoint Energy Arkansas Gas, before the Arkansas Public Service Commission, Docket No. 07-081-TF (2009), on behalf of Arkansas Gas Consumers, Inc., re energy efficiency cost recovery.
10. South Carolina Electric & Gas Company, before the South Carolina Public Service Commission, Docket No. 2009-261-E (2009), on behalf of CMC Steel-SC, re DSM cost recovery surcharge.
11. Duke Energy Indiana, Inc., before the Indiana Utility Regulatory Commission, Cause No. 38707 FAC81 (2009), on behalf of Steel Dynamics, Inc., re fuel and purchased power cost recovery.

12. Potomac Electric Power Company, before the District of Columbia Public Service Commission, Formal Case No. 1076 (2009), on behalf of the General Services Administration, re retail cost allocation and standby rate design issues for distributed generation resources.
13. Appalachian Power Company, before the Virginia State Corporation Commission, Case No. PUE-2009-00039 (2009), on behalf of Steel Dynamics, Inc., re environmental and reliability cost recovery.
14. Indiana Michigan Power Company, before the Indiana Utility Regulatory Commission, Cause No. 38702 – FAC 63 (2009), on behalf of Steel Dynamics, Inc., re fuel and purchased power cost recovery.
15. Appalachian Power Company, before the Virginia State Corporation Commission, Case No. PUE-2009-302-00038 (2009), on behalf of Steel Dynamics, Inc., re fuel and purchased power cost recovery.
16. South Carolina Electric & Gas Company, before the South Carolina Public Service Commission, Docket No. 2008-302-E (2008), on behalf of CMC Steel-SC, re fuel and purchased power cost recovery.
17. South Carolina Electric & Gas Company, before the South Carolina Public Service Commission, Docket No. 2008-196-E (2008), on behalf of CMC Steel-SC, re base load review order for a nuclear facility.
18. Ohio Edison *et al.*, before the Public Utilities Commission of Ohio, Case No. 08-935-EL-SSO *et al.* (2008), on behalf of Nucor Steel Marion, Inc., re standard service offer via an electric security plan.
19. Ohio Edison *et al.*, before the Public Utilities Commission of Ohio, Case No. 08-936-EL-SSO (2008), on behalf of Nucor Steel Marion, Inc., re market rate offer via a competitive bidding process.
20. Alabama Power Company, before the Alabama Public Service Commission, Docket No. 18148 (2008), on behalf of CMC Steel Alabama, Nucor Steel Birmingham, Inc., and Nucor Steel Tuscaloosa, Inc, re energy cost recovery.
21. Entergy Texas, Inc., before the Public Utilities Commission of Texas, PUC Docket No. 35269 (2008), on behalf of Texas Cities, re jurisdictional allocation of system agreement payments.
22. Duke Energy Indiana, Inc., before the Indiana Utility Regulatory Commission, Cause No. 43374 (2008), on behalf of Nucor Steel and Steel Dynamics, Inc., re alternative regulatory plan.
23. Entergy Gulf States Inc., before the Public Utilities Commission of Texas, PUC Docket No. 34800 (2008), on behalf of Texas Cities, re affiliate transactions.

24. Commonwealth Edison Company, before the Illinois Commerce Commission, Docket No. 07-0566 (2008), on behalf of Nucor Steel Kankakee, Inc., re cost-of-service and rate design issues.
25. Ohio Edison *et al.*, before the Public Utilities Commission of Ohio, Case No. 07-0551-EL-AIR *et al.* (2008), on behalf of Nucor Steel Marion, Inc., re cost-of-service and rate design issues.
26. Appalachian Power Company dba American Electric Power, before the Public Service Commission of West Virginia, Case No. 06-0033-E-CN (2007), on behalf of Steel of West Virginia, Inc., re power plant cost recovery mechanism.
27. Oncor Electric Delivery Company and Texas Energy Future Holdings Limited Partnership, before the Public Utilities Commission of Texas, PUC Docket No. 34077 (2007), on behalf of Nucor Steel - Texas, re acquisition of TXU Corp. by Texas Energy Future Holdings Limited Partnership.
28. Arkansas Oklahoma Gas Company, before the Arkansas Public Service Commission, Docket No. 07-026-U (2007), on behalf of West Central Arkansas Gas Consumers, re gas cost-of-service and rate design issues.
29. Idaho Power Company, before the Idaho Public Utilities Commission, Case No. IPC-E-07-08 (2007), on behalf of the U.S. Department of Energy (Federal Executive Agencies), re cost-of-service and rate design issues.
30. Potomac Electric Power Company, before the District of Columbia Public Service Commission, Formal Case No. 1056 (2007), on behalf of the General Services Administration, re demand-side management and advanced metering programs.
31. South Carolina Electric & Gas Company, before the South Carolina Public Service Commission, Docket No. 2007-229-E (2007), on behalf of CMC Steel-SC, re cost-of-service and rate design issues.
32. Potomac Electric Power Company, before the Maryland Public Service Commission, Case No. 9092 (2007), on behalf of the General Services Administration, re retail cost allocation and standby rate design issues for distributed generation resources.
33. Potomac Electric Power Company, before the District of Columbia Public Service Commission, Formal Case No. 1053 (2007), on behalf of the General Services Administration, re retail cost allocation and standby rate design issues for distributed generation resources.
34. Entergy Gulf States Inc., before the Public Utilities Commission of Texas, PUC Docket No. 32907 (2006), on behalf of Texas Cities, re hurricane cost recovery.

35. Entergy Gulf States Inc., before the Public Utilities Commission of Texas, PUC Docket No. 32710/ SOAH Docket No. 473-06-2307 (2006), on behalf of Texas Cities, re reconciliation of fuel and purchased power costs.
36. Florida Power & Light Company, before the Florida Public Service Commission, Docket No. 060001-EI (2006), on behalf of the U.S. Air Force (Federal Executive Agencies), re fuel and purchased power cost recovery.
37. Arizona Public Service Company, before the Arizona Corporation Commission, Docket No. E-01345A-05-0816 (2006), on behalf of the U.S. Air Force (Federal Executive Agencies), re retail cost allocation and rate design issues.
38. PacifiCorp (dba Rocky Mountain Power), before the Utah Public Service Commission, Docket No. 06-035-21 (2006), on behalf of the U.S. Air Force (Federal Executive Agencies), re rate design issues.
39. South Carolina Electric & Gas Company, before the South Carolina Public Service Commission, Docket No. 2006-2-E (2006), on behalf of CMC Steel-SC, re fuel and purchased power cost recovery.
40. Entergy Gulf States Inc., before the Public Utilities Commission of Texas, PUC Docket No. 31544/ SOAH Docket No. 473-06-0092 (2006), on behalf of Texas Cities, re transition to competition rider.
41. Idaho Power Company, before the Idaho Public Utilities Commission, Case No. IPC-E-05-28 (2006), on behalf of the U.S. Department of Energy (Federal Executive Agencies), re cost-of-service and rate design issues.
42. Alabama Power Company, before the Alabama Public Service Commission, Docket No. 18148 (2005), on behalf of SMI Steel-Alabama, re energy cost recovery.
43. Florida Power & Light Company, before the Florida Public Service Commission, Docket No. 050001-EI (2005), on behalf of the U.S. Air Force (Federal Executive Agencies), re fuel and capacity cost recovery.
44. Entergy Gulf States Inc., before the Public Utilities Commission of Texas, PUC Docket No. 31315/ SOAH Docket No. 473-05-8446 (2005), on behalf of Texas Cities, re incremental purchased capacity cost rider.
45. Florida Power & Light Company, before the Florida Public Service Commission, Docket No. 050045-EI (2005), on behalf of the U.S. Air Force (Federal Executive Agencies), re cost-of-service and interruptible rate issues.
46. Arkansas Electric Cooperative Corporation, before the Arkansas Public Service Commission, Docket No. 05-042-U (2005), on behalf of Nucor Steel and Nucor-Yamato Steel, re power plant purchase.

47. Arkansas Electric Cooperative Corporation, before the Arkansas Public Service Commission, Docket No. 04-141-U (2005), on behalf of Nucor Steel and Nucor-Yamato Steel, re cost-of-service and rate design issues.
48. Dominion North Carolina Power, before the North Carolina Utilities Commission, Docket No. E-22, Sub 412 (2005), on behalf of Nucor Steel-Hertford, re cost-of-service and interruptible rate issues.
49. Public Service Company of Colorado, before the Colorado Public Utilities Commission, Docket No. 04S-164E (2004), on behalf of the U.S. Air Force (Federal Executive Agencies), re cost-of-service and interruptible rate issues.
50. CenterPoint Energy Houston Electric, LLC, *et al.*, before the Public Utility Commission of Texas, PUC Docket No. 29526 (2004), on behalf of the Coalition of Commercial Ratepayers, re stranded cost true-up balances.
51. PacifiCorp, before the Utah Public Service Commission, Docket No. 04-035-11 (2004), on behalf of the U.S. Air Force (United States Executive Agencies), re time-of-day rate design issues.
52. Arizona Public Service Company, before the Arizona Corporation Commission, Docket No. E-01345A-03-0347 (2004), on behalf of the U.S. Air Force (Federal Executive Agencies), re retail cost allocation and rate design issues.
53. Idaho Power Company, before the Idaho Public Utilities Commission, Case No. IPC-E-03-13 (2004), on behalf of the U.S. Department of Energy (Federal Executive Agencies), re retail cost allocation and rate design issues.
54. PacifiCorp, before the Utah Public Service Commission, Docket No. 03-2035-02 (2004), on behalf of the U.S. Air Force (United States Executive Agencies), re retail cost allocation and rate design issues.
55. Dominion Virginia Power, before the Virginia State Corporation Commission, Case No. PUE-2000-00285 (2003), on behalf of Chaparral (Virginia) Inc., re recovery of fuel costs.
56. Jersey Central Power & Light Company, before the New Jersey Board of Public Utilities, BPU Docket No. ER02080506, OAL Docket No. PUC-7894-02 (2002-2003), on behalf of New Jersey Commercial Users, re retail cost allocation and rate design issues.
57. Public Service Electric and Gas Company, before the New Jersey Board of Public Utilities, BPU Docket No. ER02050303, OAL Docket No. PUC-5744-02 (2002-2003), on behalf of New Jersey Commercial Users, re retail cost allocation and rate design issues.

58. South Carolina Electric & Gas Company, before the South Carolina Public Service Commission, Docket No. 2002-223-E (2002), on behalf of SMI Steel-SC, re retail cost allocation and rate design issues.

59. Montana Power Company, before the First Judicial District Court of Montana, *Great Falls Tribune et al. v. the Montana Public Service Commission*, Cause No. CDV2001-208 (2002), on behalf of a media consortium (*Great Falls Tribune*, *Billings Gazette*, *Montana Standard*, *Helena Independent Record*, *Missoulian*, Big Sky Publishing, Inc. dba *Bozeman Daily Chronicle*, the Montana Newspaper Association, *Miles City Star*, *Livingston Enterprise*, Yellowstone Public Radio, the Associated Press, Inc., and the Montana Broadcasters Association), re public disclosure of allegedly proprietary contract information.

60. Louisville Gas & Electric *et al.*, before the Kentucky Public Service Commission, Administrative Case No. 387 (2001), on behalf of Gallatin Steel Company, re adequacy of generation and transmission capacity in Kentucky.

61. PacifiCorp, before the Utah Public Service Commission, Docket No. 01-035-01 (2001), on behalf of Nucor Steel, re retail cost allocation and rate design issues.

62. TXU Electric Company, before the Public Utilities Commission of Texas, PUC Docket No. 23640/ SOAH Docket No. 473-01-1922 (2001), on behalf of Nucor Steel, re fuel cost recovery.

63. FPL Group *et al.*, before the Federal Energy Regulatory Commission, Docket No. EC01-33-000 (2001), on behalf of Arkansas Electric Cooperative Corporation, Inc., re merger-related market power issues.

64. Entergy Mississippi, Inc., *et al.*, before the Mississippi Public Service Commission, Docket No. 2000-UA-925 (2001), on behalf of Birmingham Steel-Mississippi, re appropriate regulatory conditions for merger approval.

65. TXU Electric Company, before the Public Utilities Commission of Texas, PUC Docket No. 22350/ SOAH Docket No. 473-00-1015 (2000), on behalf of Nucor Steel, re unbundled cost of service and rates.

66. PacifiCorp, before the Utah Public Service Commission, Docket No. 99-035-10 (2000), on behalf of Nucor Steel, re using system benefit charges to fund demand-side resource investments.

67. Entergy Arkansas, Inc. *et al.*, before the Arkansas Public Service Commission, Docket No. 00-190-U (2000), on behalf of Nucor-Yamato Steel and Nucor Steel-Arkansas, re the development of competitive electric power markets in Arkansas.

68. Entergy Arkansas, Inc. *et al.*, before the Arkansas Public Service Commission, Docket No. 00-048-R (2000), on behalf of Nucor-Yamato Steel and Nucor Steel-Arkansas, re generic filing requirements and guidelines for market power analyses.

69. ScottishPower and PacifiCorp, before the Utah Public Service Commission, Docket No. 98-2035-04 (1999), on behalf of Nucor Steel, re merger conditions to protect the public interest.

70. Dominion Resources, Inc. and Consolidated Natural Gas Company, before the Virginia State Corporation Commission, Case No. PUA990020 (1999), on behalf of the City of Richmond, re market power and merger conditions to protect the public interest.

71. Houston Lighting & Power Company, before the Public Utility Commission of Texas, Docket No. 18465 (1998) on behalf of the Texas Commercial Customers, re excess earnings and stranded-cost recovery and mitigation.

72. PJM Interconnection, LLC, before the Federal Energy Regulatory Commission, Docket No. ER98-1384 (1998) on behalf of Wellsboro Electric Company, re pricing low-voltage distribution services.

73. DQE, Inc. and Allegheny Power System, Inc., before the Federal Energy Regulatory Commission, Docket Nos. ER97-4050-000, ER97-4051-000, and EC97-46-000 (1997) on behalf of the Borough of Chambersburg, re market power in relevant markets.

74. GPU Energy, before the New Jersey Board of Public Utilities, Docket No. EO97070458 (1997) on behalf of the New Jersey Commercial Users Group, re unbundled retail rates.

75. GPU Energy, before the New Jersey Board of Public Utilities, Docket No. EO97070459 (1997) on behalf of the New Jersey Commercial Users Group, re stranded costs.

76. Public Service Electric and Gas Company, before the New Jersey Board of Public Utilities, Docket No. EO97070461 (1997) on behalf of the New Jersey Commercial Users Group, re unbundled retail rates.

77. Public Service Electric and Gas Company, before the New Jersey Board of Public Utilities, Docket No. EO97070462 (1997) on behalf of the New Jersey Commercial Users Group, re stranded costs.

78. DQE, Inc. and Allegheny Power System, Inc., before the Federal Energy Regulatory Commission, Docket Nos. ER97-4050-000, ER97-4051-000, and EC97-46-000 (1997) on behalf of the Borough of Chambersburg, Allegheny Electric Cooperative, Inc., and Selected Municipalities, re market power in relevant markets.

79. CSW Power Marketing, Inc., before the Federal Energy Regulatory Commission, Docket No.ER97-1238-000 (1997) on behalf of the Transmission Dependent Utility Systems, re market power in relevant markets.
80. Central Hudson Gas & Electric Corporation *et al.*, before the New York Public Service Commission, Case Nos. 96-E-0891, 96-E-0897, 96-E-0898, 96-E-0900, 96-E-0909 (1997), on behalf of the Retail Council of New York, re stranded-cost recovery.
81. Central Hudson Gas & Electric Corporation, supplemental testimony, before the New York Public Service Commission, Case No. 96-E-0909 (1997) on behalf of the Retail Council of New York, re stranded-cost recovery.
82. Consolidated Edison Company of New York, Inc., supplemental testimony, before the New York Public Service Commission, Case No. 96-E-0897 (1997) on behalf of the Retail Council of New York, re stranded-cost recovery.
83. New York State Electric & Gas Corporation, supplemental testimony, before the New York Public Service Commission, Case No. 96-E-0891 (1997) on behalf of the Retail Council of New York, re stranded-cost recovery.
84. Rochester Gas and Electric Corporation, supplemental testimony, before the New York Public Service Commission, Case No. 96-E-0898 (1997) on behalf of the Retail Council of New York, re stranded-cost recovery.
85. Texas Utilities Electric Company, before the Public Utility Commission of Texas, Docket No. 15015 (1996), on behalf of Nucor Steel-Texas, re real-time electricity pricing.
86. Central Power and Light Company, before the Public Utility Commission of Texas, Docket No. 14965 (1996), on behalf of the Texas Retailers Association, re cost of service and rate design.
87. Carolina Power & Light Company, before the South Carolina Public Service Commission, Docket No. 95-1076-E (1996), on behalf of Nucor Steel-Darlington, re integrated resource planning.
88. Texas Utilities Electric Company, before the Public Utility Commission of Texas, Docket No. 13575 (1995), on behalf of Nucor Steel-Texas, re integrated resource planning, DSM options, and real-time pricing.
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