



April 1, 2015

VIA ELECTRONIC FILING

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RE: Request for Approval of Pay As You Go Pilot Program
Docket No. 2015-____-E

Dear Mrs. Boyd:

In accordance with S.C. Code Ann. § 58-27-250(c) (Supp. 2014), Duke Energy Carolinas, LLC (“Duke Energy Carolinas” or the “Company”) herein submits for approval by the Public Service Commission of South Carolina (“Commission”) its Pay As You Go Pilot Program (“Pay As You Go” or the “Pilot”). S.C. Code Ann. § 58-27-250 governs this matter, and states:

(A) Except as provided in subsections (B) and (C) of this section, an electrical utility must not interrupt electric service to any residential customer for nonpayment of a bill until twenty five days have elapsed from the date of billing.

(B) An electrical utility may interrupt electric service to any residential customer who has voluntarily enrolled in a prepay program if the prepay program allows the customer to monitor his consumption of electricity and his account balance on a daily basis and the balance of that customer's prepay account is zero, provided that the following conditions are met: (1) at the time the residential customer enrolls in the prepay program, the residential customer is informed and agrees that his electric service may be interrupted when the balance of his prepay account reaches zero; (2) electric service must not be interrupted before 10:00 a.m. on the next business day following an attempt by the electrical utility to give the customer notice of the impending interruption by telephone or electronically; and (3) electric service must not be interrupted except during hours when the electrical utility, or an agent, is accepting cash payments.

(C) A prepay program established by an electrical utility shall be subject to approval by the Public Service Commission of South Carolina prior to implementation. Any interruption of electric service under an approved prepay

program shall be governed by the terms of this section and the provisions of the prepay account agreement. A prepay program approved by the Public Service Commission under this subsection must allow the utility to interrupt service when the balance of the customer's prepay account is zero and the conditions set out in subsection (B) are met. Upon a showing of good cause, the commission may allow alternative compliance with the requirement of subsection (B) regarding the ability of the customer to monitor his consumption and account balance on a daily basis, if such compliance provides consumer information and protections similar to that required in subsection (B).

(D) Nothing contained herein shall be construed so as to relieve an electrical utility of the requirements of Act 313 of 2006.

(E) Any person aggrieved by a violation of this section may petition the courts of this State for redress in accordance with applicable law.

As explained in detail below, the Company's Pilot meets the applicable criteria. The tariff filing for the Pilot is attached herein as Exhibit A, as well as draft Terms and Conditions in Exhibit B. The Pay As You Go Pilot is designed for residential customers on non-time of use rate schedules, where the Company has installed advanced metering technology (sometimes referred to as a Smart Meter) at the residence, and the customer does not participate in optional Riders (e.g. Rider PM or Rider NM). The Company anticipates high interest from customers who have a preference for receiving digital alerts, and who seek more timely information on their electricity consumption than provided by bills rendered after electricity has been used. Eligible customers will be able to:

- Begin service with a lower up front cost (avoiding a traditional deposit if one would otherwise be required);
- See usage and electricity costs on a daily basis from anywhere via the web — even with their Smartphone;
- Set notification preferences, receive notifications and view the account information 24 hours a day, 7 days a week;
- Have more choice in payment options, giving the customer the flexibility to determine when to pay and how much based on the customer's lifestyle and receipt of income;

- Potentially avoid bill surprises at the end of an unusual weather month, or even be informed during the month of unusual weather or other circumstances that may be driving electric usage higher than they anticipate, such as an equipment malfunction; and
- Have service reconnected faster through remote capability if service is disconnected.

The Company respectfully requests an effective date for the Pilot two months after Commission approval, as that time frame will allow the Company to complete technology improvements and testing necessary to launch the Pilot. Accordingly, the Company respectfully requests approval by April 15, 2015, and an effective date of June 15, 2015. The Company requests the Pilot have an approved duration of one year, although if the Pilot is successful the Company may seek to grow the Pilot or seek earlier termination of the Pilot in favor of a full scale offering to be filed with the Commission for approval.

As a precautionary measure, the Company plans to initially seek up to 25 Duke Energy Carolinas employee participants to help ensure the technology operates as anticipated, and to ensure that no unwarranted disconnections occur for customers subscribing from the general public. The Company then plans to limit participation to a maximum of 1,000 participants on the Pilot to verify and ensure that the charges are calculated correctly and that payment mechanisms and disconnection protocols are operating as designed. During the Pilot, the Company plans to measure customer satisfaction and to evaluate any changes in payment patterns, electricity usage, or other areas that could suggest changes that would make a more widely available program successful. The Company will file a report with the Commission on the Pilot's first year of operation within 15 months of the Pilot's effective date. Participation in the Pilot is entirely voluntary. If the Company is confident that a prepay program is ready for wider subscription, it will propose such a program to the Commission which incorporates learnings from the Pilot, including but not limited to a potentially different rate/fee structure.

The following sections provide a summary of the Pilot and include the Company's formal request for partial waivers to certain rules as described below.

Summary of the Pay As You Go Pilot

(1) **Design:**

The Pilot is designed to give customers the control and flexibility to pay--in real time--for electricity used. The technology used for the Pilot will enable residential customers to see their electric consumption on a daily basis, as well as on a monthly basis. Customers will be able to view such information and their current account balance on a web portal on both a computer and a Smartphone, as well as receive alerts through text messages, e-mail, and automated outbound calls. Customers will be able to use this information to recognize higher than usual electricity consumption on a daily basis, to understand the drivers for bills that may be different than expected, and the Pilot will enable customers to have more direct control over their bills being more cognizant of how they use electricity.

(2) **Eligibility:**

Eligible customers will be located in the Pilot target area, which consists of 14 zip codes around Spartanburg and Greenville counties. The Pilot will be available to residential customers in this area who are on Schedule RS, RE, or ES, who have certified Smart Meters, and who are not served on Schedule WC, optional riders, the Equalized Payment Plan or automatic payment options. Medical Alert, Special Needs, or Medical Certificate (moratorium) customers are not eligible. Customers with separately metered services on the same account or those subscribing to nonregulated service may still participate, but the residence service would be established on a separate account. The Company selected this area of the Upstate due to a high concentration of certified Smart Meters and the strongest customer likelihood to be interested in the Pilot based on customer demographics. The Company plans to market the Pilot to eligible customers through direct mail and other direct channels.

(3) **Payment Requirements and Disconnection Processes:**

Eligible customers must have internet access and an email account, must make an advance payment of at least \$40, and have no past due balance in excess of \$300. The Company will allow customers with outstanding balances to participate in the Pilot and will apportion 40 percent of a given payment amount to outstanding balances, and 60 percent of a given payment amount to fund ongoing usage. Past due balances will continue to accrue a finance charge at the Commission-approved rate until the past due balance is paid. There will be no traditional deposits required unless a customer exits the program and returns to a traditional billing schedule. There is no monthly fee to participate in the Pilot, although that may change in a full-scale offering to be filed in the future with the Commission. In addition, new customers are required, like all new customers to Duke Energy Carolinas, to pay a \$15 connection charge.

As customers use electricity, their prepaid balance would decrease from the amount paid based on the amount of electricity used. The dollar amount used will be calculated daily based on a daily meter reading. There will be a once-a-month true-up to reconcile the amount applied toward usage and the bill amount at the end of the monthly billing cycle. This true-up ensures that no customer underpays or overpays the cost for the energy used under the applicable rate schedule which is designed on a monthly, rather than daily, basis. The amount of any adjustment will be shown on the reconciliation statement. Customers may continue to pay through currently available channels at any frequency and amount they choose. The customer will not incur a service fee for the first two payments in a calendar month made by telephone using a credit/debit card or check. These fees are typically charged by a third party and, as such, Duke Energy Carolinas does not receive the monies from such fees. This no-fee feature will be used by Duke Energy Carolinas to identify customer payment preferences and this option could revert to a service fee in a fully deployed program. Customers paying in person can choose to go to a free payment location or to a location where a vendor may charge a fee. There are no minimum payment requirements.

Customers who do not replenish their accounts and as a result, reach a \$0 balance, will be notified of pending disconnect with disconnection occurring the following business day (Mondays through Fridays), no earlier than 10:00 am and normally not after 2:00 pm, as allowed

by SC Code Ann. 58-27-250. Service will not be disconnected after 4:00 p.m. or on weekends, or holidays. Upon paying any balance and paying an amount sufficient to create a positive account balance, a customer whose service is disconnected will have service restored within minutes to a few hours. However, if the customer fails to bring the account into a positive balance within 5 business days, the account will be final billed and the customer will have to reapply and reestablish an electric service account. The Company is not charging a reconnection fee in the Pilot.

It is important to note that the Company believes that this Pilot may be of special benefit to its eligible low-income or budget-constrained customers. Accordingly, the Company will be working to educating crisis agencies of the Pilot to encourage such agencies to make payments on behalf of the customer even if the customer does not have a traditional “past due bill.” Typically, such agencies have relied upon imminent disconnection for past due bills because the agencies’ objective is to prevent a disconnection of service. Under this program, the only way to allow service to continue is with an advance payment. Customers will be able to choose to leave the Pilot and can revert to the post-usage payment option at any time, but a deposit may be required to return to traditional billing.

(4) Customer Communications and Information:

Customers will receive alerts, including payment confirmation, current account balance, estimated days of power remaining and deactivation messages, among other communications. These alerts will be sent through channels the customer prefers, including text message, e-mail, and/or automated outbound calls. The Company will require a minimum number of alerts of a declining account balance when the customer has 5, 3, and 1 day remaining, for example. The customer can also view all of this information on a website specially designated for customers on the Pilot. This website will be visible on a computer or Smartphone, along with customers’ monthly and daily consumption, notification history, and other account details and preferences.

(5) **Data to be Collected in the Pilot:**

To inform future offerings or expansion of the Pilot, the Company plans to collect the following data from the operation of the Pilot:

- Number of payments per month and average payment amount per customer;
- Number of nonpayment disconnects and reconnects;
- Customer energy usage patterns;
- Customer satisfaction; and
- Number of customers who choose to withdraw from the Pilot (other than move-outs) and the reason for withdrawal.

Rule Waivers

The Company understands that the Rules of this Commission serve as protection for consumers, and the Company understands the gravity of requesting rule waiver requests. Below, the Company explains how it will comply with certain Commission rules under the Pilot, and, where implicated, cites specific rules for which any waiver is requested along with the rationale for why a waiver of this rule is appropriate.

In order to comply with Rule 103-330 *Customer Information* paragraph (c) and (d) regarding notification of rates available and notice of rate changes, the Company plans to use messaging on the Pilot account screens to direct customers to this information on the Duke Energy Carolinas website instead of providing the information via a bill insert.

With respect to compliance with Rule 103-339 *Customer Billing*, a reconciliation statement will be provided at the end of the customer's normal billing cycle via the Pay As You Go website that will show the rate schedule, readings, usage and amounts, and any true-up adjustments.

The Company respectfully requests a partial waiver of Rule 103-352 *Procedures for Termination of Service* with respect to timing, the delivery method, and the information provided on any notice of disconnection, and payment arrangements would not be offered for participating customers. More specifically, rather than a mailed notice, the Company would only provide notification via telephone, text message or email, and only at 5 days, 3 days, and 1 day before the account balance is expected to be zero and disconnection would occur. The Company would disconnect service Monday through Friday from no earlier than 10:00 a.m. and normally not after 2:00 p.m. The customer's right to contact the Office of Regulatory Staff and to receive the winter moratorium and the recommendation to contact social service agencies would be included with information displayed on the customer's account on the Pilot website rather than with a telephone, text or email message. Participating customers would not be able to establish their accounts as a "special need" or "medical certificate" (moratorium account) unless they went off the Pilot. Customers wishing to designate a third party contact would do so by setting up the third party's telephone and/or email address to receive the required alerts.

With respect to Rule 103-352 (g), the Company is not requesting a waiver to terminate service outside the time frames cited in that rule since the governing statute allows for different disconnection timeframes, and the Company's proposal are within the bounds allowed by S.C. Code Ann. § 58-27-250.

Differences from Previous Electric Utility Payment Plans Offered in SC

The Company's affiliate, Duke Energy Progress ("DEP"), previously offered a PrePay program that was ultimately withdrawn by DEP. The lessons learned from that program were valuable and shaped the Pilot model proposed herein. Rather than being positioned as an energy efficiency ("EE") program, the current Pilot will be offered as a payment option that will provide customers greater control and flexibility, and the Company will evaluate if it is able to transform a Pilot into a suitable EE program in the future. This direction will ease eligibility restrictions and provide participants with a better customer experience.

There are significant technology, interface and system differences between the programs, and the Company believes that this Pilot will be more user-friendly for customers. Additionally, the Company is launching the Pilot in Duke Energy Carolinas service territory to make maximum use of the Smart Meters already deployed in such service territory; the DEP pilot did not leverage a previous Smart Meter deployment.

Accordingly, Duke Energy Carolinas respectfully requests that the Commission approve the Pilot, the rule waivers requested herein, and that this Application be considered without notice or hearing pursuant to the provisions of S.C. Code Ann. § 58-27-870(F). Furthermore, as described above, should the Pilot be approved by the Commission, the Company respectfully requests that the Pilot become effective two months after the date of Commission approval for the reasons described above.

If there are questions about the matters covered in this letter and the exhibits please direct them to Heather Smith.

Yours truly,

ROBINSON, MCFADDEN & MOORE, P.C.



Frank R. Ellerbe, III

FRE/tch
Enclosures

cc w/enc: Jeffery M. Nelson, ORS, Chief Counsel & Director of Legal Services (via email & US Mail)
Shannon Bowyer Hudson, ORS, Deputy Director, Legal Services (via email & US Mail)
John W. Flitter, ORS, Director, Electric and Natural Gas (via email & US Mail)
Heather Shirley Smith, Deputy General Counsel (via email)

PAY AS YOU GO PROGRAM (SC)
(Pilot)

AVAILABILITY (South Carolina only)

Available on a voluntary basis, at the option of the Company, to new or existing residential customers in residences, served on a non-time of use rate schedule, who are not served on Schedule WC, Rider NM, Rider PM, the Equalized Payment Plan, and are not classified as “special needs” customers. Customers who also have service under a general service or lighting schedule, or contract for nonregulated services may participate in this Pilot, only under the condition that the residential service is established under a separate account from all other service. Participation is limited to no more than 1,000 customers where the Company has installed an advanced meter with interval recording registers. This rider is available for a period of up to twelve months.

PROGRAM PROVISIONS

Under this program, the Customer will normally pay for electric service before it is used allowing the customer to pay in accordance with the customer’s desired payment frequency and amount.

To enroll in this program, the customer must make a minimum initial payment of \$40.00. If the applicant for this program is an existing customer with an outstanding balance of no more than \$300, (a) any cash deposit on record may be applied as the initial payment (b) payments will be applied with 40% of the payment going towards an unpaid balance until satisfied with 60% going toward future electric use,

Participants in this program will have access to kilowatt hour usage on a daily basis along with an estimate of the daily cost of electricity via an internet website. The Company will send text messages and/or email alerts which provide estimated dollar amounts remaining before the balance becomes zero. Failure to receive a properly sent alert shall not entitle the customer to additional time to pay to avoid interruption of service. Failure to maintain a positive account balance may result in disconnection of service on the day after the account balance reaches zero; however, service disconnections will occur Monday through Friday no earlier than 10:00 a.m. and typically no later than 2:00 p.m. If disconnection of service is delayed for any reason when the prepayment balance is zero, the customer will accrue a debit balance and the debit balance must be paid along with a payment toward future service in order to maintain or restore service. Service will be reconnected once sufficient payment is received and no reconnect fee will be charged during the pilot.

Participating customers must have a valid email address and internet access. Alerts will be sent to customers based on the estimated remaining balance with 5, 3 and 1 days remaining. The customer may also elect to receive additional alerts via the website.

The estimated amounts provided to customers on a daily basis will be calculated based on the charges in applicable rate schedule divided by the number of days in the billing period. At the end of the customers’ normal billing schedule, a monthly bill will be calculated in the same manner as non-participating customers. As a result, an adjustment may be made to the account balance at the end of the regular billing cycle to ensure that amount billed for the month is consistent with the approved rate schedule and other charges. A month end adjustment will also be made in the case of an initial or final bill, certain rate changes, changes in municipal fees, taxes, etc. during a regular billing cycle.

If the customer discontinues service under this program but continues electric service at the same residence, the customer will be returned to normal monthly billing and a deposit or other security may be required.

If the customer voluntarily discontinues service at a location, any credit balance on the account will either be refunded to the customer or transferred to the customer’s account at a new location.

If the customer’s service is disconnected for failure to make a payment towards future service and does not make a payment within 5 business days to restore service, the account will be final billed and the customer will need to reapply for electric service.



Exhibit B

Pay As You Go Pilot Terms and Conditions

New Customers: An electric service application must be completed and satisfied before applying for the Pay As You Go Program. A connection fee of \$15 and a minimum \$40 initial payment (total of \$55) is required to begin service under Pay As You Go. New customers participating in Pay As You Go are not required to establish credit with a deposit or satisfactory guarantor but must agree to a credit check and provide satisfactory identification.

Existing Customers: Existing customers may participate in the Pay As You Go payment program and any deposit being held as security will be applied toward the outstanding balance and any remaining amount (if applicable) will be applied to future electric usage under the Pay As You Go Pilot Program. If there is no security deposit on the account, or if the amount of the deposit does not satisfy the outstanding balance on the account, such outstanding balances may be deferred provided the outstanding balance is \$300 or less. If the account balance is more than \$300 at the time of enrollment, the customer must make a sufficient payment to reduce the balance to \$300 or less to enroll in the program. After enrollment, all payments will be applied such that 60% of the payment applies towards future electric service and 40% towards deferred balance, until the deferred balance is \$0. Finance charges will accrue on any past due balance until satisfied.

Pay As You Go accounts are not eligible for the Equalized Payment Plan or an agreement for nonregulated products and services. Such agreements are not eligible for Pay As You Go, and will be billed separately under normal billing procedures.

Billing: Pay As You Go accounts will not receive a monthly bill through US mail or email. Under the Pay As You Go Pilot Program, the bill will be calculated on the applicable residential rate schedule, but presented to the customer on a prorated daily basis. At the end of the regular billing cycle, the account will be reconciled and end of month adjustments may be made due to rate changes or other factors to ensure that the bill under the Pay As You Go Program matches the amount that would have otherwise been billed. The customer can view daily usage, account balance, payment history and more by visiting <https://www.duke-energy.com/myipay.cc>.

Notifications: Alerts will be sent via email, automated voice recording or text message informing the customer when the balance is low, when payment is received, and connection status change. A "low balance" alert will be issued when the estimated remaining balance is 5 days remaining, 3 days remaining and 1 day remaining. The customer may request additional alerts using the customer's preferences at <https://www.duke-energy.com/myipay.cc>. **The customer is solely responsible for managing and updating the notification settings under Pay As You Go Pilot Program including email address and telephone number.** The Company is not responsible for failure of the customer to receive notifications due to inaccurate contact information, or conditions beyond the Company's control, including but not limited to problems with the customer's internet service or mobile phone service provider.

Payments: Except for enrollment, no minimum payment amount is required. Payments may be made as follows:

- Credit/Debit Card or Electronic Check payments may be made by phone by calling 1-800-723-9676 24 hours a day, 7 days a week. During the pilot, the first 2 payments during a calendar month will not be charged a convenience fee, but for additional payments beyond 2 per month, a \$1.50 fee applies.
- Electronic Check payment can be made at <https://www.duke-energy.com/myipay.cc/pay> without a fee.
- Payments in Person. Cash and check payments can also be made at any authorized payment location during their business hours. For a complete list of authorized payment locations, please visit <http://www.duke-energy.com/south-carolina/billing/locations.asp>. A fee applies at some payment locations.

- Payment by Mail is not recommended under this pilot due to the time required between mailing and the receipt of payment for posting; however, mailed payments will still be accepted at PO Box 70516, Charlotte, NC, 28272-0516.

Note: Assistance Agency commitments are not considered payment and will not postpone the termination of service. It is the customer's responsibility to maintain a credit balance on the prepaid account until Duke Energy receives the payment from the Agency.

Disconnection for Nonpayment and Reconnection: Under the Pay As You Go Pilot Program, the electric service account is subject to disconnection anytime the account has a zero balance. Disconnection will occur on the business day after the account reaches a zero balance, no earlier than 10 a.m. and typically no later than 2:00 p.m. Kilowatt hours used after the account reaches zero but before disconnection will result in a negative account balance. Service will be reconnected remotely when any negative balance is satisfied and a sufficient payment to create a credit balance is made. Once payment is received, the service will be reconnected as soon as possible, 24 hours a day, 7 days a week. If the account remains disconnected after 5 business days without payment, the account will be final billed and the customer will be required to contact Duke Energy to reestablish service with a new account which may require a credit check and security deposit.

Returned Payment: If a check or a credit/debit payment is returned, the amount of the return and a \$20 service charge will be charged back to the account immediately. If this causes the account to have a negative balance, service will be subject to disconnection. Duke Energy reserves right to decline payments by check or credit/debit card for good and sufficient reason.

Customer Requested Discontinuance of Pay As You Go: A customer may elect to discontinue participation in Pay As You Go and continue electric service. Duke Energy may require a credit check, payment of a security deposit, if applicable, and any outstanding balances as a condition of continued electric service.

Customer Requested Discontinuance of Service: Service terminated at the request of the customer will result in settlement of the Pay As You Go account. A final bill will be issued for any outstanding balance. A refund check will be issued for any remaining credit balance

Contacting Duke Energy: Pay As You Go customers may contact Duke Energy by calling 1-800-723-9676 between 8:00 a.m. and 5:00 p.m. Monday-Friday, excluding holidays. Account balance, usage and payment information can be viewed at <https://www.duke-energy.com/mypay.cc>.

In compliance with the Terms and Conditions of mobile carriers, the customer must opt in to receive text messages. An opt-in code will be sent via text message to all customers electing to receive notifications through text message. **All mobile phone fees including text messages are the responsibility of the customer.**

Pilot Program: Pay As You Go is a pilot program. It is available for a limited time. This Pilot Program is approved by the Public Service Commission of South Carolina and is subject to change upon order of the Commission. If an approved program is implemented following the pilot, participating customers may have the option to participate in the program under its approved terms and conditions.

NOTE: Duke Energy Reserves the right to modify these Terms and Conditions at any time and without prior notice. The current guidelines governing the pilot may be found on the Duke Energy Pay As You Go website at <https://www.duke-energy.com/mypay.cc/tc>