BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2015-54-E

May 26, 2015

IN RE:	)	
Petition of South Carolina Electric & Gas Company for Approval to Participate in a Distributed Energy Resource Program	)	**SETTLEMENT AGREEMENT**

This Settlement Agreement is made by and among: (1) the South Carolina Office of Regulatory Staff ("ORS"); (2) South Carolina Electric & Gas Company ("SCE&G" or the "Company"); (3) Wal-Mart Stores East, LP and Sam's East, Inc. ("Wal-Mart"); (4) The Alliance for Solar Choice ("TASC"); (5) South Carolina Coastal Conservation League and the Southern Alliance for Clean Energy ("SCCCL" and "SACE"); and (6) South Carolina Solar Business Alliance, LLC (collectively referred to as the "Settling Parties" and "Parties" or sometimes individually as "Party").

WHEREAS, pursuant to S.C. Code Ann. § 58-39-130, and the settlement agreement ("NEM Settlement Agreement") entered into in Docket No. 2014-246-E by the ORS, SCE&G, Duke Energy Carolinas, LLC, Duke Energy Progress, Inc., Central Electric Power Cooperative, Inc. and The Electric Cooperatives of South Carolina, Inc., SCCCL, SACE, the South Carolina Solar Business Alliance, LLC, Sustainable Energy Solutions, LLC, Solbridge Energy, LLC, TASC, Nucor Steel-South Carolina and Frank Knapp, Jr., the Company prepared and filed a Petition (the "Petition") to establish a Distributed Energy Resource Program ("DERP") to

accomplish and further the purposes and goals of the South Carolina Distributed Energy Resource Program Act ("Act 236");

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (the "Commission") pursuant to the Act 236 codified at S.C. Code Ann. §§ 58-39-110 *et seq.*;

WHEREAS, the Settling Parties to this Settlement Agreement are parties of record in the above-captioned Docket;

WHEREAS, ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B);

WHEREAS, ORS reviewed the Petition filed in this Docket;

WHEREAS, the Settling Parties have varying positions regarding the issues in this case;

WHEREAS, the Parties engaged in discussions to determine if a settlement of some or all of the issues would be in their best interests and, in the case of ORS, in the public interest; and,

WHEREAS, following those discussions, the Settling Parties determined that their interests, and ORS determined that the public interest, would be best served by stipulating to a comprehensive settlement of all issues raised by the Settling Parties and pending in the above-captioned case under the terms and conditions set forth herein.

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms:

A. STIPULATION OF SETTLEMENT AGREEMENT, TESTIMONY AND WAIVER OF CROSS-EXAMINATION

A.1 The Settling Parties agree to stipulate into the record before the Commission this Settlement Agreement.

A.2 The Settling Parties agree to stipulate into the record before the Commission the pre-filed testimony and exhibits (collectively "Stipulated Testimony") of the following witnesses without objection, change, amendment, or cross-examination with the exception of changes comparable to that which would be presented via an errata sheet or through a witness noting a correction consistent with this Settlement Agreement. The Settling Parties agree that no other evidence will be offered in the proceeding by them other than the Stipulated Testimony and exhibits and this Settlement Agreement unless additional evidence is necessary to support the Settlement Agreement. The Settling Parties also reserve the right to engage in redirect examination of witnesses as necessary to respond to issues raised by the examination of their witnesses, if any, by non-Parties or by late filed testimony by non-Parties.

ORS witness:

1. Lynda S. Shafer

SCE&G witnesses

1. John H. Raftery
2. Allen W. Rooks

Wal-Mart witness:

1. Kenneth E. Baker

SCCCL AND SACE witnesses:

1. Hamilton Davis
2. John D. Wilson

TASC witness

1. Justin R. Barnes

B. SETTLEMENT TERMS

B.1. As a compromise, the Settling Parties agree to the proposal set out immediately below, and this proposal is hereby adopted, accepted, and acknowledged as the agreement of the Settling Parties.

B.2. Except as set forth explicitly below in this Settlement Agreement, the Parties agree to accept all recommendations and modifications in ORS's testimony. Where the Petition and Company testimony differ from ORS testimony, ORS testimony governs.

MW Goals

B.3. The Settling Parties agree that the Company's DERP Petition is designed to meet the Company's statutorily designated goals as set by S.C. Code Ann. § 58-39-130. According to S.C. Code Ann. § 58-39-130, the Company's DERP shall, at a minimum result in development by December 31, 2020 of renewable energy facilities located in South Carolina with a nameplate capacity equal to at least two percent of the previous five-year average of the electrical utility's South Carolina retail peak demand. For SCE&G, this amount equates to approximately 84.5 megawatts ("MW"). Of this two percent, Act 236 states that half shall be met by facilities sized between one (1) and ten (10) MW, hereafter defined as "Utility Scale Program." The remaining half shall be met by facilities sized less than one (1) MW ("Customer Scale Program") with a quarter of the one percent (0.25%) nameplate capacity being from renewable energy generation 20 kilowatts ("kW") or less ("Small Scale Requirement").

Utility-Scale Program

B.4. The Settling Parties agree that the Company will make a good faith effort to have at least 30 MW of utility-scale solar capacity in service before the end of 2016. To accelerate the development of this capacity, the Company agrees to solicit proposals for utility-scale solar engineering, procurement and construction for projects that are located on non-Company owned land within SCE&G's electric service territory.

Customer Scale Program - Performance Based Incentive

B.5. The Settling Parties agree that SCE&G's DERP will include a Performance Based Incentive ("PBI") to residential customers who install solar photovoltaic facilities of not more than 20 kW AC nameplate capacity. This PBI will be provided in conjunction with the Company's net metering tariff. The PBI will be provided to residential customers for a term of ten (10) years. The PBI is prospective and retroactive for facilities constructed after January 1, 2015.

B.6. After such time that the Company's PBI reservation system is publicly available, customers must submit a PBI application prior to installation of the generating system and, upon approval, the Company will guarantee the amount of the incentive for one hundred and eighty (180) days from the date the Applicant is notified of PBI application approval. The Company will grant up to two (2) extensions of 90 days each upon written request of the Applicant, or a designated representative, such as the installer or lessor of the generating system. Customers applying for net metering after January 1, 2015, and that install or are in the process of installing a generating system prior to the time the Company's PBI reservation system is publicly available, shall have 90 days from the date the reservation system is established by the Company

to apply, retroactively, for the net metering PBI and shall be treated on a first-come, first serve basis according to the date of the net metering application.

B.7. The PBI will be administered using the capacity-based step-down tiers set forth in Chart A below. Each step-down level shall be triggered when the capacity limit for a given PBI step level has been reserved by residential customer-generators. Once sufficient reservations have been secured to meet a capacity limit, the PBI shall be automatically adjusted downward for all new customers enrolling in the PBI program. The PBI program shall be open to new net metering customers through (i) December 31, 2020, or (ii) until the date on which the total capacity limit in Chart A has been met by approved PBI reservations for residential net metering customers, whichever is earlier.

Chart A

PBI Program Incentive Step-Down

Cumulative Capacity ***(Megawatts)***	**Performance Based Incentive** ***(per kWh)***
0 – 2.5	$0.04
2.5 - 5	$0.03
5 – 7.5	$0.02
7.5 - 9	$0.01

B.8. The Settling Parties agree that the Company shall update the current PBI generator capacity reservations, in kW, on its website on a monthly basis.

B.9. The Settling Parties further agree that: SCE&G's customers will be allowed to assign the right to receive payment of their PBI to a third-party installer or lessor of the solar facility and SCE&G will communicate with, and require, each customer to execute the necessary documents to effectuate such assignments.

Customer Scale Program - Bill Credit Agreements

B.10. The Settling Parties agree that as part of its DERP SCE&G will offer bill credit agreements ("BCA") to its non-residential customers but will not offer any BCA to its residential customers. Initially SCE&G will offer non-residential customers the BCA bill credit rates presented in Company witness John Raftery's direct testimony. BCA bill credit rates will be fixed and offered for a term of ten (10) years. Facilities constructed after January 1, 2015 which are eligible for BCA, credits pursuant to the customer's ten-year BCA term will begin upon the customer's acceptance into the BCA bill credit rate program, and will not be paid retroactively to the time the facility was constructed.

B.11. If capacity installed by non-residential customers participating in the BCA program is no greater than 20 kW, this capacity shall count toward the Small Scale Requirement pursuant to S.C. Code Ann. § 58-39-130(C)(2), but shall not count toward reaching the capacity-based PBI net metering program step-down levels that are set forth in Paragraph B.7 of this Settlement Agreement.

B.12. The Settling Parties agree that the Company offered BCA is available to any non-residential customer, including those who lease a solar electric generating facility from a third-party provider or those who own a solar electric generating facility.

Customer Scale Program - Lease/Finance Program

B.13. The Settling Parties agree that SCE&G will withdraw its proposal to offer a Lease/Finance Program as part of its DERP. The Settling Parties also agree that the Company may request approval of a Lease/Finance Program in the future.

Customer Scale Program - Community Solar

B.14. The Settling Parties agree that at this time capacity from SCE&G's Community Solar Program shall not count toward the Small Scale Requirement and Customer Scale Program pursuant to S.C. Code Ann. § 58-39-130(C)(2). The Company is not precluded from seeking approval from the Commission to count the Community Solar Program capacity towards satisfying the Small Scale Requirement and Customer Scale Program.

B.15. Community Solar capacity shall not impact any BCA offerings or be used in calculating the capacity-based PBI step-down levels that are set forth in Paragraph B.7 of this Settlement Agreement.

B.16. The Settling Parties agree that the Company will evaluate the per-watt price paid by a customer to ensure that it accurately reflects the developer's per-watt cost. Should the Company choose to incentivize the up-front customer costs for Community Solar, these incentives shall be deemed DER Program incremental costs.

DERP Advisory Group

B.17. The Settling Parties agree that the Company shall convene a DERP Advisory Group to use as a resource for sharing ideas and advancing the effectiveness of the Company's DERP. The DERP Advisory Group shall meet at least twice a year, and group participants shall receive notification 15 days prior to the Company filing with the Commission to add, modify or terminate any DERP offering. Pending exigent circumstances, the DERP Advisory Group may meet more than twice a year. All Settling Parties have the right to participate in the DERP Advisory Group. To the extent possible, the DERP Advisory Group shall consist of no more than twelve (12) participants, inclusive of the Company and ORS. The DERP Advisory Group

participants will represent interested stakeholders with diverse viewpoints, for example those including but not limited to consumer groups, developers of large scale renewable energy, developers of small-scale renewable energy, lessors of renewable energy facilities, and environmental advocates.

B.18. The Settling Parties agree that within the first two (2) DERP Advisory Group meetings, evaluation of the viability of future incentives or offerings designed for the needs of economically disadvantaged customers will begin. Within eighteen (18) months of the date of the Settlement Agreement, the Company will propose to the Commission a DERP initiative or offering designed for the needs of economically disadvantaged customers.

B.19. The Settling Parties agree that, on or before November 1, 2015, the Company will discuss with the DERP Advisory Group a program that allows an owner of a structure with SCE&G load and meters on-site to enter a buy-all/sell-all agreement for a term of 10 years at the same rates available to customers receiving the BCA provided that the system is sized not to produce more than 100% of energy consumed by the aggregate of the existing meters on the property over the prior 12 months so long as the program is consistent with Act 236.

Renewable Energy Credits

B.20. The Settling Parties agree that the Company will retain ownership of the renewable energy credits ("RECs") until all DERP Incremental Costs are recovered by the Company and DERP charges are removed from all customer bills. At such time the system owner will begin retaining ownership of any RECs generated from that point forward.

B.21. The Settling Parties agree that all value derived by the Company from RECs be credited against DERP incremental costs or used to offset future South Carolina environmental compliance costs or requirements incurred by the Company.

DERP Modification

B.22. The Settling Parties agree that, with the exception of the pre-approved step-down method outlined in paragraph B.7, Chart A, the Company shall file for Commission approval of any program additions or terminations, and that the Company shall seek Commission approval for any program modifications that result in a variation greater than twenty-five percent (25%) of a program tariff's approved charges, incentives or credits.

Other

B.23. The Parties agree that the Company will file tariffs for each of its DERP offerings within 90 days of the issuance of a Commission Order in this Docket.

B.24. The Settling Parties agree that SCE&G will only allow a customer-generator to size their renewable generator in such a manner so that the renewable generation will off-set part, or all, of the customer's own electrical energy requirements, as determined by historic data on the customer's annual electricity usage or as estimated by SCE&G where annual usage data does not exist (e.g., new customer).

DERP Cost Recovery

B.25. The Parties agree that DERP costs shall be allocated and recovered pursuant to S.C. Code Ann. §§ 58-27-865 and 58-39-140, to the extent such costs are reasonably and prudently incurred to implement an approved program.

B.26. For purposes of cost allocation and recovery, the Parties agree that the following DERP costs shall be treated as avoided costs (instead of as incremental costs subject to the cap): (i) amounts paid under avoided cost rates or rates negotiated under the Public Utility Regulatory Policy Act ("PURPA") for purchased power agreements, and (ii) amounts paid for generation purchased at the Company's avoided cost rates from Community Solar, net metering and BCA. Though not included for recovery as avoided costs in the Company's Application, the Company may have avoided costs arising from the following areas in the future: (i) the avoided cost component of SCE&G owned generation constructed to implement a DERP, as set forth in S.C. Code Section 58-39-140, and (ii) the avoided cost component related to new programs introduced in the future to implement a DERP, as set forth in S.C. Code Ann. § 58-39-140.

B.27. The Parties agree that the Company will recover from customers avoided DERP costs using the same methodology used for the variable environmental component of the fuel factor for SCE&G's rate classes and customers.

B.28. The Parties agree that because the incremental DERP costs that may be recovered from ratepayers are capped pursuant to S.C. Code Ann. § 58-39-150, it would be reasonable for the Company to establish a fixed incremental dollar amount per-account charge ("DER Component") within its fuel factor to collect incremental DERP costs from customers not to exceed annually per account: $12 for residential; $120 for commercial; and $1,200 for industrial.

B.29. The Parties agree that for the purpose of billing the DER Component, the Company shall define an account as a single point of delivery in the same manner as SCE&G applies its basic facilities charge. For industrial customers being served on more than one large general service rate (i.e. Rate 23, Rate, 24, or Rate 27) and located on the same property, only one DER Component will be assessed.

B.30. The Parties agree that, in the event the incremental costs to be recovered from any customer class in a given year exceeds the per-account annual cost caps set forth in S.C. Code Ann. § 58-39-150, the Company will follow and use deferral accounting and may carry forward such costs in excess of the per-account annual cost caps for recovery to be reallocated among all customer classes, consistent with the methodology for allocating variable environmental costs, through the fuel factor in subsequent years as an incremental DERP cost subject to the caps. Non-capital incremental costs will be deferred with carrying costs calculated at the three-year treasury note plus 65 basis points. Incremental capital costs will be deferred using the Company's weighted average cost of capital as defined in Act 236.

C. REMAINING TERMS AND CONDITIONS

C.1 The Parties agree this Settlement Agreement is reasonable, in the public interest and in accordance with law and regulatory policy.

C.2 Further, ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B). S.C. Code Ann. § 58-4-10(B)(1) through (3) reads in part as follows:

> "…'public interest' means a balancing of the following:
>
> (1) Concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;

(2) Economic development and job attraction and retention in South Carolina; and

(3) Preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services."

C.3 The Settling Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of all issues in the above-captioned proceeding, and to take no action inconsistent with its adoption by the Commission.

C.4 The Settling Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission in its entirety.

C.5 This Settlement Agreement is binding on the Settling Parties only. It creates no rights in third parties nor are there third party beneficiaries to it. Only Parties who are signatories may make any claim under this Settlement Agreement.

C.6 The Settling Parties agree that signing this Settlement Agreement (a) will not constrain, inhibit, impair, waive, or prejudice their arguments or positions held in future or collateral proceedings; (b) will not constitute a precedent or evidence of acceptable practice in future proceedings; and (c) will not limit the relief, rates, recovery or rates of return that any Party may seek or advocate in any future proceeding.

C.7 If the Commission declines to approve this Settlement Agreement in its entirety, then any Party may withdraw from the Settlement Agreement without penalty or obligation within three (3) days of receiving notice of the decision, by providing written notice of withdrawal via electronic mail to all parties in that time period.

C.8 This Settlement Agreement shall be effective upon execution by the Settling Parties and shall be interpreted according to South Carolina law.

C.9 This Settlement Agreement contains the complete agreement of the Settling Parties. This Settlement Agreement shall bind and inure to the benefit of each of the signatories hereto and their representatives, predecessors, successors, assigns, agents, shareholders, officers, directors (in their individual and representative capacities), subsidiaries, affiliates, parent corporations, if any, joint ventures, heirs, executors, administrators, trustees, and attorneys.

C.10 The above terms and conditions fully represent the agreement of the Settling Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement, by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Settling Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

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[SIGNATURE PAGES FOLLOW]

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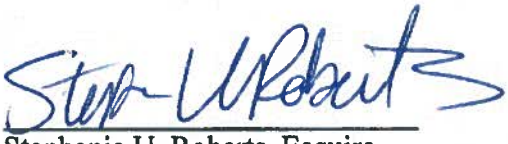
WE AGREE:

Representing Wal-Mart Stores East, LP and Sam's East, Incorporated



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WE AGREE:

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WE AGREE:

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by JJB w/permission

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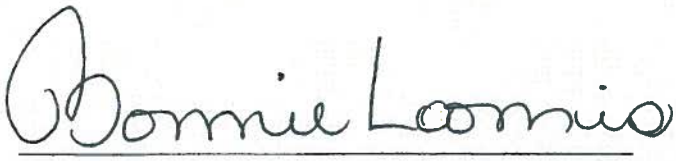
WE AGREE:

Representing and binding the South Carolina Solar Business Alliance, LLC



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WE AGREE:

Representing and binding The Electric Cooperatives of South Carolina, Inc.

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WE AGREE:

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WE AGREE:
Representing and binding The Sierra Club

_____

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