

Schedule AC
AIR CONDITIONER CYCLING PROGRAM

I. PURPOSE

The residential Air Conditioner Cycling Program, enabled by radio paging, gives the Company the ability to cycle central air conditioners and heat pumps during periods of peak demand or high marginal energy costs on the Company's system throughout the summer months of June through September. The cycling switch(s) will be installed by a Company-authorized contractor and located on or near the outdoor air conditioning or heat pump unit(s). Participants who enroll in this Program agree to allow the Company to cycle their central air conditioning system(s) or heat pump(s) off and on for short periods of time in exchange for an annual incentive payment.

By dispatching the Program during periods of high peak demand or high marginal energy costs, the Program is intended to reduce the Company's peak load and the need to build or purchase additional peaking generation.

II. AVAILABILITY

This Program will be available to new and existing residential customers, served on Rate Schedule 1 – Residential Service, living in owner-occupied single-family homes in the Company's North Carolina service territory with one of the following specified cooling systems:

- Electric Residential / Central AC,
- HVAC – Gas Furnace / Central AC,
- HVAC – Heat Pump / Electrical Backup, and/or
- Dual Fuel – Heat Pump with Alternate Fuel Backup.

Participation in this Program is strictly voluntary. Customers on dynamic or time-of-use rates may not participate in the program. Participation is limited to cooling systems that are compatible with the switch technology and to areas with paging service availability.

Customers must provide the Company with a suitable location for the control or paging equipment, and access to their premises for installation and maintenance of the equipment.

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III. INTERRUPTION

Participants may be called on during hours of peak demand or high marginal energy costs from June 1 through September 30 for a maximum of 120 hours per year (not to exceed 30 control actions per year for a maximum of four hours per day).

The Company will use a 50% cycling strategy, which uses an adaptive algorithm to cycle an air conditioner or heat pump off for 50% of the run time as determined by the air conditioner or heat pump's run time in the hour preceding the cycling event. This cycling parameter will be maintained throughout the time the central air conditioner or heat pump is controlled. The air conditioner or heat pump will return to normal operation after the cycling period.

As explained in the Terms and Conditions that are left with the customer when the switch is installed, if participants do not want to be called upon on a particular date, they may contact the Company or the Company-authorized contractor and opt out of any events that may be called for that date. Participants may also opt out during an event by calling the Company or the Company-authorized contractor. Participants may select up to two days per summer season to opt out of a cycling event. Customers who opt out more than twice in one season will not be eligible to receive an incentive payment that year.

IV. INCENTIVE PAYMENTS

The Program will provide enrolled customers with a \$35 annual incentive, adjusted for inflation, for allowing the Company to cycle their central air conditioner or heat pump during peak periods.

Each year, after September 30th, the Company will verify that customers are currently participating in the Program and did not override more than two cycling events. Annual incentive checks will be mailed to participating customers meeting these qualifications by the end of November.

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V. EQUIPMENT INSPECTION AND SERVICING

The switch will be installed by Company-authorized contractors working on behalf of the Company.

VI. CONTRACT PERIOD

The contract period for the Program shall run from October 1 through September 30 of the following year. Customers who have a switch installed as of September 30 will receive the annual incentive payment for each contract period they are participating. Customers who opt out more than twice in one season forfeit the incentive payment for that contract period. Customers who terminate their participation in the Program in a particular contract period forfeit the incentive payment for that contract period and all future incentive payments.

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