**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
Docket No. 2012-XXX-E**

In re:	)	
	)	**DUKE ENERGY CAROLINAS,**
Application of Duke Energy Carolinas, LLC	)	**LLC'S APPLICATION FOR**
For Approval of EE Vintage 0 Revenue	)	**APPROVAL OF EE VINTAGE 0**
Requirement	)	**REVENUE REQUIREMENTS**
	)	

Duke Energy Carolinas, LLC ("the Company or Duke Energy Carolinas") respectfully requests that the Public Service Commission of South Carolina ("Commission") approve its application to true-up the revenue requirement associated with the implementation of Vintage 0 energy efficiency ("EE") programs and demand side management ("DSM") programs (collectively "Vintage 0 Revenue Requirements") in accordance with the modified Save-A-Watt cost recovery mechanism approved in Order No. 2010-79, Docket No. 2009-226-E and the Commission's Order in Docket No. 2011-40-E, Order No. 2012-99. Vintage 0 covers the period of June 1, 2009 through January 31, 2010 ("Vintage 0 Period"). Duke Energy Carolinas proposes to account for the true-up through an offset to the Company's existing DSM balance as provided in Order No. 2010-79.

BACKGROUND

1. Order No. 91-1022 in Docket No. 91-216-E approved a deferred accounting process to recover costs associated with the Company's previous EE and DSM programs (collectively "DSM Funds").

2. In Order No. 2009-336, Docket No. 2009-166-E, the Commission approved a portfolio of EE programs[1] and authorized Duke Energy Carolinas to defer in a regulatory asset

[1] The term "energy efficient" as used in Order No. 2009-336, includes both energy efficiency/conservation and demand-side management/demand response measures.

account all costs that are being or will be incurred by the Company in connection with the development and implementation of the EE programs pending a decision by the Commission on the appropriate compensation model in the Company's next general rate case.

3. In Duke Energy Carolinas' next general rate case, Docket No. 2009-226-E, the Company proposed a modified Save-A-Watt cost recovery mechanism for the EE programs. A settlement was reached by Duke Energy Carolinas, the South Carolina Office of Regulatory Staff ("ORS"), South Carolina Energy Users Committee, and the Southern Environmental Law Center.

4. Order No. 2010-79 approved the compensation model proposed by the settling parties and provided that a rider would be established to flow back over collection of the DSM Funds to the Company's South Carolina customers from the DSM deferral account balance ("DSM Balance"). The Commission directed the Company to return the DSM Balance over a three-year period at approximately $43.5 million per year or until the DSM Balance is exhausted. The refund is apportioned in accordance with the class of customers supplying revenues to Duke Energy Carolinas during the period of the DSM program. Order No. 2010-79 also provided recovery of the Company's Vintage 0 Revenue Requirements and all associated true-up amounts to be applied as an offset to the existing DSM balance.[2]

5. The DSM Balance remaining to be returned to customers at the end of May 2012 is $32 million.

6. In Order No. 2012-99, the Commission ordered Duke Energy Carolinas to conduct an energy savings true-up for Vintage 0 in its Vintage 4 Rider filing.[3]

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[2] Order No. 2010-79, at 13.

[3] The Company conducted a true-up of Vintage 0 in its 2011 filing; however, limited EM&V information was available. Because Vintage 0 has been filed under its own docket in the past, the Company is filing the Vintage 0 true-up separately from, but at the same time as its Vintage 4 Rider filing.

CALCULATION OF VINTAGE 0 REVENUE REQUIREMENT TRUE-UP

7. Pursuant to Order No. 2010-79, amounts owed by customers to the Company for the Vintage 0 Period will be netted against the DSM Balance. As shown on **Exhibits 1 and 2**, the amounts to be offset against the DSM Balance are:

- ($697,704) adjustment for Vintage 0 Residential customers and
- $677,625 adjustment for Vintage 0 Non-Residential customers.

As shown on **Exhibit 3** lines 11a, 11b and 11c, the non-residential adjustment to revenue requirement is further divided to account for differences in the rate classes as follows:

- $339,661 Industrial
- $339,198 General
- ($1,234) Lighting

8. The calculation to determine the revenue requirement used to reduce the DSM Balance includes a formula designed to provide Duke Energy Carolinas with jurisdictional revenues to recover avoided costs and lost revenues and includes an earnings cap provision. Revenue requirements for Vintage 0 are all based on actual participation subject to the earnings cap. Revenues to be recovered are calculated by combining (1) the sum of the annual avoided capacity cost savings generated by demand-side management programs multiplied by a fixed percentage of demand-side management avoided cost; (2) the net present value of avoided energy and capacity costs applicable to energy efficiency programs multiplied by a fixed percentage of energy efficiency avoided cost; and (3) lost revenues.

9. For purposes of this true-up, the Company gathered actual participation results and applied the measured and verified kW and kWh reductions, which incorporated EM&V results through May 24, 2012 for each EE and DSM program or measure offered during Vintage

0, except the Non-Residential Smart$aver Custom Rebate Program. This true-up process will not apply to the Non-Residential Smart$aver Custom Program because the EM&V process for this program is fundamentally different than other EE programs. Each project and impact for the Non-Residential Smart$aver Customer Program is unique, requiring a distinct EM&V plan which prevents EM&V from being applied retrospectively to this program. Thus EM&V for the Non-Residential Smart$aver Customer Program will only be applied on a going-forward basis from the EM&V sample period. Load impacts and avoided cost revenue requirements by program were determined for the period of June 1, 2009 through December 31, 2009, and for January 2010. **Exhibit 4**. For lost revenues from EE, the Company collected the relevant information for the period of June 1, 2009 through January 31, 2012.

10. The revenue requirements for the Company's EE and DSM programs recover (a) 75% of the Company's avoided capacity costs applicable to DSM programs and 55% of the net present value avoided capacity and costs applicable to EE and (b) lost revenues for EE programs only.[4]

A. Avoided Costs Component

11. In regard to the avoided cost portion of the formula for the DSM component, system avoided cost revenue requirements are allocated between the South Carolina and North Carolina retail jurisdictions based on contributions to system retail peak demand by all system retail customers as determined in the Company's cost of service study. They are further allocated among South Carolina residential and non-residential customer groups based on their proportionate share of the South Carolina retail peak demand. For EE programs, the cost of the programs is assigned to the class of customers that benefit from the program. For the EE component, avoided costs related to kW and kWh impacts are calculated separately for total

[4] Order No. 2010-79, at 67; see also, Order Exhibit 1, at 19.

residential and total non-residential customer groups. Then for each customer group, the cost is allocated between South Carolina and North Carolina retail jurisdictions based on jurisdictional kWh sales in proportion to system retail kWh sales using data from the cost of service study. The allocation factors used to determine South Carolina's portion of avoided costs are provided in **Exhibit 5**. Information on the actual program costs is provided in **Exhibit 6**.

B. Lost Revenue Component

12. In previous filings, the Company's estimates of lost revenues were computed at the residential and non-residential class levels, using an average residential tariff rate and an average non-residential tariff rate. The Company computed residential lost revenues using a weighted average of rate schedules RS and RE applied to total residential kW and kWh savings. For non-residential customers, the Company used rate schedule OPT for total non-residential kW and kWh savings. The Company expected these rate schedules to reflect the majority of participation in EE programs and to therefore be acceptably accurate. In preparing the Rider currently before the Commission, the Company analyzed the source of the kW and kWh reductions in more detail and found that the non-residential kW and kWh savings for customers on rate schedules other than OPT are a more significant portion of the non-residential savings than originally expected. As a result, using only the OPT rate schedule to compute lost revenues does not produce an acceptably accurate calculation.[5] Consequently, in this filing, the Company has computed net lost revenues by separating the non-residential kW and kWh savings among non-residential rate schedules SGS, LGS, I and OPT (General Service) and OPT (Industrial Service) to determine the applicable amounts. These schedules represent the preponderance of

[5] Schedules SGS, LGS and I are characterized by low demand rates and high energy rates, whereas schedule OPT is characterized by high demand rates and low energy rates. The construct of demand vs. energy charges on rate schedules SGS, LGS and I as compared to OPT prevents a reasonable combination of such schedules into a weighted average non-residential rate.

participation in non-residential EE programs. The Company has also calculated net lost revenues for residential customers by separating the residential savings among rate schedules RS and RE, as the preponderance of participation in residential EE programs is on these rate schedules.

13. Lost revenues are calculated on a state-specific basis because they reflect the under-collection of state-specific costs. The calculation of lost revenues by programs is provided in **Exhibit 7.** For this rider, the lost revenues were calculated from June 1, 2009 through January 31, 2012 and incorporated into the Vintage 0 revenue requirements. Lost revenues beyond January 31, 2012 are excluded because the Company is collecting them through its current base rates as approved in Order No. 2012-77.

14. Lost revenues for June 2009 through January 31, 2012 are based on the SC retail rates in effect during the applicable time period and the primary rate schedules for which kWh savings were achieved.

C. Earnings Cap

15. Revenue requirements have been adjusted according to the earnings cap approved in the settlement agreement in Order No. 2010-79. Adjustments have been made to limit actual revenue requirements to an amount that results in earnings that do not exceed the level of allowed earnings. The amount of allowed earnings is based upon a percentage of program costs. The specific percentage is associated with the Company's level of achievement of Save-A-Watt target results. The calculation supporting the earnings cap amount is provided in **Exhibit 8**.

D. Calculation of Actual Revenue Requirement

16. Based on these avoided costs, lost revenues and the earnings cap, Duke Energy Carolinas calculated the Vintage 0 revenue requirements true-up for Vintage 0 residential customers and for Vintage 0 non-residential customers as illustrated in **Exhibit 2**. For purposes

of the adjusting the DSM Deferral Balance for this true-up, the Company compared these amounts to the amounts established in Rider 3, $3,061,878 for Vintage 0 residential customers and $2,844,638 for Vintage 0 non-residential customers. **Exhibit 2**.

CONCLUSION

Based on the foregoing, the Company respectfully requests that the Commission grant its application seeking approval of its Vintage 0 Revenue Requirement True-Up. As provided in Order No. 2010-79, Duke Energy Carolinas also respectfully requests that the Commission allow the Company to apply the Vintage 0 Revenue Requirement of $697,704 for non residential customers as an offset and ($677,625) for residential customers as an addition to the existing DSM balance and give such further relief as the Commission deems appropriate.

Dated this 1st day of August, 2012.

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Vintage 0 Exhibits

Exhibit 1	**Summary of Vintage 0 Revenue Requirement True-up**
Exhibit 2	**Calculation of Actual Revenue Requirement and True-up Amount**
Exhibit 3	**Calculation of Application to DSM Deferral Balance - Non-Residential**
Exhibit 4, Page 1 of 2	**Load Impacts and Avoided Cost Revenue Requirements by Program** June 1, 2009 - December 31, 2009
Exhibit 4, Page 2 of 2	**Load Impacts and Avoided Cost Revenue Requirements by Program** January 2010
Exhibit 5, Page 1 of 2	**Allocation Factors** June 1, 2009 - December 31, 2009
Exhibit 5, Page 2 of 2	**Allocation Factors** January 2010
Exhibit 6	**Actual Program Costs**
Exhibit 7	**Actual Lost Revenues by Program**
Exhibit 8	**Calculation of Earnings Cap**