



SACE 1st Response to Staff
008931

Lawrence B. Somers
Deputy General Counsel

Mailing Address:
NCRH 20 / P.O. Box 1551
Raleigh, NC 27602
o: 919.546-6722
f: 919.546.2694

bo.somers@duke-energy.com

March 5, 2014

VIA ELECTRONIC FILING

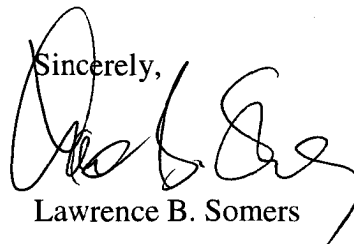
Gail L. Mount
Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4325

**RE: Duke Energy Carolinas, LLC Application for Approval of Demand-Side Management and Energy Efficiency Cost Recovery Rider
Docket No. E-7, Sub 1050**

Dear Ms. Mount:

I enclose Duke Energy Carolinas, LLC's Application for Approval of Demand-Side Management and Energy Efficiency Cost Recovery Rider and the Direct Testimonies of Timothy J. Duff, Kimberly D. McGee and Roshena M. Ham for filing in connection with the referenced matter. I will deliver fifteen (15) paper copies to the Clerk's Office, along with a flash drive containing work papers, by close of business on March 6, 2014.

Thank you for your attention to this matter. If you have any questions, please let me know.

Sincerely,

Lawrence B. Somers

Enclosures

OFFICIAL COPY
Mar 05 2014

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1050

In the Matter of)	
Application of Duke Energy Carolinas, LLC)	APPLICATION OF
for Approval of Demand-Side Management)	DUKE ENERGY CAROLINAS, LLC
and Energy Efficiency Cost Recovery Rider)	FOR APPROVAL OF RIDER 6
Pursuant to N.C. Gen. Stat. § 62-133.9 and)	
Commission Rule R8-69)	

Pursuant to N.C. Gen. Stat. § 62-133.9 and Rule R8-69 of the Rules and Regulations of the North Carolina Utilities Commission (the “Commission”), Duke Energy Carolinas, LLC (“Duke Energy Carolinas” or the “Company”) hereby applies to the Commission for approval of its demand-side management (“DSM”) and energy efficiency (“EE”) cost recovery rider, Rider EE, for 2015 (“Rider 6”). Rider 6 encompasses components relating to both the Company’s save-a-watt pilot approved in Docket No. E-7, Sub 831,¹ as well as the new cost recovery mechanism and portfolio of programs approved by the Commission in Docket No. E-7, 1032. The prospective components of Rider 6 include an estimate of the third year of net lost revenues for Vintage 4² of the Company’s EE programs under save-a-watt; an estimate of the remaining half year of net lost revenues for Vintage 3 EE programs; estimates of the revenue requirements for Vintage 2015 DSM and EE programs under the new mechanism; and an estimate of the second year of net lost revenues for Vintage 2014 EE

¹ The save-a-watt pilot, which included the Company’s initial portfolio of DSM and EE programs and modified save-a-watt cost recovery mechanism, expired December 31, 2013. However, because net lost revenue recovery and true-ups of prior vintages extend beyond the expiration of the pilot, components relating to the save-a-watt pilot are included in Rider 6.

² A vintage year is the twelve-month period in which a specific DSM or EE measure is installed for an individual participant or a group of participants. The vintage concept is employed under save-a-watt as well as the new mechanism. To distinguish from the four save-a-watt vintages (which are numbered 1, 2, 3, and 4), each vintage under the new mechanism is referred to by the calendar year of its respective rate period (*e.g.*, Vintage 2015).

programs under the new mechanism. The Rider 6 Experience Modification Factor (“EMF”) includes the following true-ups under save-a-watt: a true-up of Vintage 4 DSM and EE programs; a true-up of the second year of net lost revenues for Vintage 3 EE programs; a true-up of the third year of net lost revenues for Vintage 2 EE programs; and the final true-up of the save-a-watt pilot.

In support of this Application, Duke Energy Carolinas respectfully shows the Commission the following:

Name and Address of Duke Energy Carolinas

1. The correct name and post office address of the Company are Duke Energy Carolinas, LLC, Post Office Box 1006, Charlotte, North Carolina 28201-1006.

Notices and Communications

2. The names and addresses of the attorneys of Duke Energy Carolinas who are authorized to receive notices and communications with respect to this Application are:

Lawrence B. Somers
Deputy General Counsel
Duke Energy Corporation
P. O. Box 1551
Raleigh, North Carolina 27602

Robert W. Kaylor
Law Office of Robert W. Kaylor, P.A.
353 East Six Forks Road, Suite 260
Raleigh, North Carolina 27609

Molly L. McIntosh
K&L Gates, LLP
Hearst Tower, 47th Floor
214 North Tryon Street
Charlotte, North Carolina 28202

Description of the Company

3. The Company is engaged in the generation, transmission, distribution, and sale of electric energy at retail in the central and western portions of North Carolina and the western portion of South Carolina. It also sells electricity at wholesale to many municipal, cooperative, and investor-owned electric utilities. Duke Energy Carolinas is a public utility under the laws of North Carolina and is subject to the jurisdiction of this Commission with respect to its operations in this State. The Company also is authorized to transact business in the State of South Carolina and is a public utility under the laws of that State. Accordingly, its operations in South Carolina are subject to the jurisdiction of the Public Service Commission of South Carolina.

4. N.C. Gen. Stat. § 62-133.9(d) authorizes the Commission to approve an annual rider to the rates of electric public utilities to recover all reasonable and prudent costs incurred for the adoption and implementation of new DSM and EE programs. Recoverable costs include, but are not limited to, all capital costs, including cost of capital and depreciation expense, administrative costs, implementation costs, incentive payments to program participants, and operating costs. Such rider shall consist of the utility's forecasted cost during the rate period and an EMF rider to collect the difference between the utility's actual reasonable and prudent costs incurred during the test period and actual revenues realized during the test period. The Commission is also authorized to approve incentives for adopting and implementing new DSM and EE programs, including appropriate rewards based on capitalization of a percentage of avoided costs achieved by DSM and EE measures.

5. The Commission approved Duke Energy Carolinas' save-a-watt portfolio

of DSM and EE measures in Docket No. E-7, Sub 831 on February 26, 2009, and approved the modified save-a-watt compensation mechanism, as set forth in the Agreement and Joint Stipulation of Settlement between the Company, the Public Staff, and Southern Alliance for Clean Energy (“SACE”), Environmental Defense Fund (“EDF”), Natural Resources Defense Council (“NRDC”), and the Southern Environmental Law Center (“Save-a-Watt Settlement”), in its *Order Approving Agreement and Joint Stipulation of Settlement Subject to Certain Commission-Required Modifications and Decisions on Contested Issues* issued February 9, 2010 in Docket No. E-7, Sub 831. The approved cost recovery model provides that the Company will be compensated based on predetermined percentages of the Company’s capacity- and energy-related “avoided costs,” an estimate of the cost of supplying electricity. These percentages include 75% of avoided capacity costs for DSM programs, and 50% of the net present value (“NPV”) of the avoided energy costs plus 50% of the NPV of avoided capacity costs for EE programs. The Commission also authorized the Company to recover net lost revenues for 36 months for each installation of an EE measure during a given vintage year.

6. The Commission-approved Save-a-Watt Settlement provides for a series of participation true-ups that will be conducted to update revenue requirements, including net lost revenues, based on actual customer participation results for each vintage. The participation true-ups for each vintage will incorporate the difference between the amount of revenues that the Company is permitted to collect under the Save-a-Watt Settlement based on actual participation levels applied to the initial assumptions of load impact or independently measured and verified results as described in the Evaluation, Measurement

and Verification Agreement reached by the Company, SACE, and the Public Staff and approved by the Commission in its *Order Approving DSM/EE Rider and Requiring Filing of Proposed Customer Notice* issued November 8, 2011 in Docket No. E-7, Sub 979 (“EM&V Agreement”).

7. The Save-a-Watt Settlement calls also for a final true-up, which includes a final comparison of the revenues collected from customers through Rider EE during the modified save-a-watt pilot to the amount of revenue the Company is authorized to collect from customers based on the independently measured and verified results. The final true-up process also includes calculations that determine the earnings for the entire program and ensure that the level of compensation recovered by the Company is capped so that the after-tax rate of return on actual program costs applicable to DSM and EE programs does not exceed the predetermined earnings cap levels set out in the Save-a-Watt Settlement.

8. The Company’s new cost recovery mechanism, which replaces the modified save-a-watt compensation mechanism, is described in the Agreement and Stipulation of Settlement the Company reached with the Public Staff, the North Carolina Sustainable Energy Association, EDF, SACE, the South Carolina Coastal Conservation League, NRDC, and the Sierra Club filed with the Commission on August 19, 2013 (the “Stipulation”). The Commission approved the new mechanism as described in the Stipulation, as well as the Company’s new portfolio of DSM and EE programs, in its *Order Approving DSM/EE Programs and Stipulation of Settlement* issued October 29, 2013. The new mechanism is designed to allow the Company to collect revenue equal to its incurred program costs for a rate period plus a Portfolio Performance Incentive based

on shared savings achieved by the Company’s DSM and EE programs, and to recover net lost revenues for EE programs only.

9. Rule R8-69(b) provides the Commission will each year conduct a proceeding for each electric public utility to establish an annual DSM/EE rider to recover DSM/EE related costs.

10. Pursuant to the provisions of N.C. Gen. Stat. § 62-133.9 and Rule R8-69, the Company requests the establishment of Rider 6 to recover: (1) a prospective component consisting of the estimated revenue requirements associated with Vintage 2015 of the Company’s current portfolio of DSM/EE programs, the second year of net lost revenues for Vintage 2014 of the Company’s EE programs, the third year of net lost revenues for Vintage 4 of the Company’s save-a-watt EE programs, and the remaining half-year of net lost revenues for Vintage 3 of the Company’s save-a-watt EE programs; and (2) an EMF component truing up vintages under the save-a-watt pilot, including a true-up of Vintage 4 DSM and EE programs, a true-up of the second year of net lost revenues for Vintage 3 EE programs, a true-up of the third year of net lost revenues for Vintage 2 EE programs, and the final true-up of the save-a-watt pilot.

11. Pursuant to the provisions of N.C. Gen. Stat. § 62-133.9 and Rule R8-69, the Company requests Commission approval of the following annual billing adjustments (all shown on a cents per kWh basis, including gross receipts tax and regulatory fee):

Residential Billing Factors	¢/kWh
Residential Billing Factor for Rider 6 Prospective Components	0.3352
Residential Billing Factor for Rider 6 EMF Components	0.2669

Non-Residential Billing Factors for Rider 6 Prospective Components	¢/kWh
Vintage 3 EE participant	0.0045
Vintage 4 EE participant	0.0217
Vintage 2014 EE participant	0.0204
Vintage 2015 EE participant	0.1099
Vintage 2015 DSM participant	0.0863

Non-Residential Billing Factors EMF Component	¢/kWh
Vintage 4 EE participant	0.0404
Vintage 4 DSM participant	0.0032
Vintage 3 EE participant	0.0217
Vintage 3 DSM participant	0.0059
Vintage 2 EE participant	0.0106
Vintage 1 EE participant	0.0003
Vintage 1 DSM participant	(0.0001)

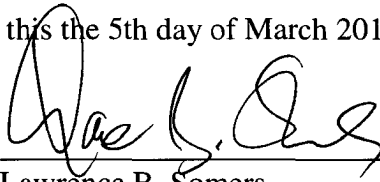
Consistent with the Commission's *Order on Motions for Reconsideration* issued on June 3, 2010 in Docket No. E-7, Sub 938, Rider 6 will be in effect for the twelve month period January 1, 2015 through December 31, 2015. Also in accordance with this Order, the test period for the Vintage 4 EMF components is the period from January 1, 2013 through December 31, 2013; the test period for the EMF related to the final true-up includes the three prior save-a-watt vintages: Vintage 1 (June 1, 2009 through December 31, 2010); Vintage 2 (January 1, 2011 through December 31, 2011); and Vintage 3 (January 1, 2012 through December 31, 2012).

12. The Company has attached hereto as required by Rule R8-69, the direct testimony and exhibits of witnesses Kimberly D. McGee, Timothy J. Duff, and Roshena M. Ham in support of the requested change in rates.

WHEREFORE, the Company respectfully prays:

That consistent with this Application, the Commission approves the changes to its rates as set forth in paragraph 11 above.

Respectfully submitted, this the 5th day of March 2014.



Lawrence B. Somers
Deputy General Counsel
Duke Energy Corporation
P. O. Box 1551
Raleigh, North Carolina 27602
Telephone: 919-546-6722
bo.somers@duke-energy.com

Robert W. Kaylor
Law Office of Robert W. Kaylor, P.A.
353 East. Six Forks Road, Suite 260
Raleigh, North Carolina 27609
Telephone: 919-828-5250
Raleigh, North Carolina 27603
robert.kaylor@duke-energy.com

Molly L. McIntosh
K&L Gates, LLP
Hearst Tower, 47th Floor
214 North Tryon Street
Charlotte, North Carolina 28202
Telephone: 704-331-7547
molly.mcintosh@klgates.com

COUNSEL FOR DUKE ENERGY CAROLINAS, LLC