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Mar 04 2015

March 4, 2015

**VIA ELECTRONIC FILING AND
OVERNIGHT DELIVERY**

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

**RE: Docket No. E-7, Sub 1073
Duke Energy Carolinas, LLC's Application for Approval of
Demand-Side Management and Energy Efficiency Cost Recovery
Rider**

Dear Ms. Mount:

I enclose Duke Energy Carolinas, LLC's Application for Approval of Demand-Side Management and Energy Efficiency Cost Recovery Rider, together with Direct Testimonies of Conitsha B. Barnes, Roshena M. Ham, and Carolyn T. Miller for filing in connection with the referenced matter. I will deliver fifteen (15) paper copies to the Clerk's Office by close of business on March 5, 2015, via overnight delivery.

Thank you for your attention to this matter. Please contact me if you have any questions.

Respectfully submitted,

Brian L. Franklin

BLF/bml
Enclosures
cc: Parties of Record

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1073

In the Matter of)	
Application of Duke Energy Carolinas, LLC)	APPLICATION OF
for Approval of Demand-Side Management)	DUKE ENERGY CAROLINAS,
and Energy Efficiency Cost Recovery Rider)	LLC FOR APPROVAL OF
Pursuant to N.C. Gen. Stat. § 62-133.9 and)	RIDER 7
Commission Rule R8-69)	

Duke Energy Carolinas, LLC (“DEC,” “Company,” or “Applicant”), pursuant to North Carolina General Statutes (“N.C. Gen. Stat.”) § 62-133.9 and North Carolina Utilities Commission (the “Commission”) Rule R8-69, hereby applies to the Commission for approval of its demand-side management (“DSM”) and energy efficiency (“EE”) cost recovery rider, Rider EE, for 2016 (“Rider 7”). Rider 7 encompasses components relating to both DEC’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, Sub 1032. The prospective components of Rider 7 include estimates of the revenue requirements for Vintage 2016² DSM and EE programs under the new mechanism; and an estimate of the third year of net lost revenues for Vintage 2014 EE programs and the second year of net lost revenues for Vintage 2015 EE programs under the new mechanism. The

¹ The save-a-watt pilot, which included DEC’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 2016).

Rider 7 Experience Modification Factor (“EMF”) includes the following true-ups: a true-up of Vintage 2014 DSM and EE programs; and the final true-up of the save-a-watt pilot.

In support of this Application, DEC respectfully shows the Commission the following:

1. The Applicant’s general offices are located at 550 South Tryon Street, Charlotte, North Carolina, and its mailing address is:

Duke Energy Carolinas, LLC
P. O. Box 1006
Charlotte, North Carolina 28201-1006

2. The names and addresses of Applicant’s attorneys are:

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3. 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.

4. The Commission approved DEC's 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 DEC, 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 DEC 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 DEC to recover net lost revenues for 36 months for each installation of an EE measure during a given vintage year.

5. 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 DEC 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 DEC, 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").

6. 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 DEC 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 DEC 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.

7. 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 DEC 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 DEC's new portfolio of DSM and EE programs, in its *Order Approving DSM/EE Programs and Stipulation of Settlement* issued October 29, 2013 ("Sub 1032 Order"). The new mechanism is designed to allow DEC to collect revenue equal to its incurred program costs for a rate period plus a Portfolio Performance Incentive based on shared savings achieved by DEC's DSM and EE programs, and to recover net lost revenues for EE programs only.

8. 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.

9. Pursuant to the provisions of N.C. Gen. Stat. § 62-133.9 and Rule R8-69, DEC requests the establishment of Rider 7 to recover: (1) a prospective component consisting of the estimated revenue requirements associated with Vintage 2016 of DEC's current portfolio of DSM/EE programs, the second year of net lost revenues for Vintage 2015 of DEC's EE programs, the third year of net lost revenues for Vintage 2014 of DEC's EE programs; and (2) an EMF component truing up Vintage 2014 of DEC's EE/DSM programs and the final true-up of the save-a-watt pilot.

10. 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 7 Prospective Components	0.0251
Residential Billing Factor for Rider 7 EMF Components	0.3324

Non-Residential Billing Factors for Rider 7 Prospective Components	¢/kWh
Vintage 2014 EE participant	0.0256
Vintage 2015 EE participant	0.0345
Vintage 2016 EE Participant	0.2164
Vintage 2016 DSM participant	0.0709

Non-Residential Billing Factors EMF Component	¢/kWh
Vintage 2014 EE Participant	0.0149
Vintage 2014 DSM Participant	(0.0043)
Vintage 4 EE participant	0.0330
Vintage 4 DSM participant	0.0003
Vintage 3 EE participant	0.0259
Vintage 3 DSM participant	(0.0008)
Vintage 2 EE participant	0.0146
Vintage 2 DSM participant	0.0018
Vintage 1 EE participant	0.0025
Vintage 1 DSM participant	0.0016


Consistent with the Commission's *Order on Motions for Reconsideration* issued on June 3, 2010 in Docket No. E-7, Sub 938 and the Sub 1032 Order, Rider 7 will be in effect for the twelve month period January 1, 2016 through December 31, 2016. Also in accordance with this Order, the test period for the Vintage 2014 EMF component is the period from January 1, 2014 through December 31, 2014; the test period for the EMF related to the final true-up includes the save-a-watt vintages: Vintage 1 (June 1, 2009 through December 31, 2010); Vintage 2 (January 1, 2011 through December 31, 2011); Vintage 3 (January 1, 2012 through December 31, 2012); and Vintage 4 (January 1, 2013 through December 31, 2013).

11. The Company has attached hereto as required by Rule R8-69, the direct testimony and exhibits of witnesses Carolyn T. Miller, Conitsha Barnes, 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 10 above.

Respectfully submitted, this the 4th day of March 2015.


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LLC

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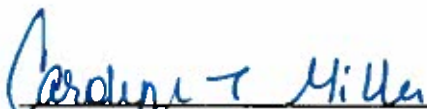
Mar 04 2015

STATE OF NORTH CAROLINA)
)
COUNTY OF MECKLENBURG)

VERIFICATION

Carolyn T. Miller, being first duly sworn, deposes and says:

That she is MANAGER, RATES AND REGULATORY STRATEGY of DUKE ENERGY CAROLINAS, LLC, applicant in the above-titled action; that she has read the foregoing Application and knows the contents thereof; that the same is true except as to the matters stated therein on information and belief; and as to those matters, she believes it to be true.



Carolyn T. Miller

Sworn to and subscribed before me
this the 3rd day of March, 2015.



Notary Public

My Commission Expires: October 31, 2015

