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OFFICIAL COPY

December 23, 2009

FILED

DEC 23 2009

Clerk's Office  
N.C. Utilities Commission

Ms. Renné C. Vance, Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4325

RE: Docket Nos. E7, Subs 909, 831 and 872

Dear Ms. Vance:

Enclosed for filing are the original and thirty (30) copies of Duke Energy Carolinas, LLC's Response to Comment by City of Durham on Duke Energy Carolinas, LLC's Compliance Filing in the above referenced dockets.

Also enclosed is Schedule GL which should be substituted for the one included in the Compliance Filing. The original filed Schedule GL contained and erroneous county in Leaf No. 208.

Sincerely,

Robert W. Kaylor  
Robert W. Kaylor

Enclosures

cc: Parties of Record

(44)  
a.b.  
17 Com.  
Bennick  
Rich  
Watson  
Lynn  
Lesso  
Kite  
Willem  
Eriksen  
Juno  
Miche  
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BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

**OFFICIAL COPY**

DOCKET NO. E-7, SUB 909

In the Matter of  
Application of Duke Energy Carolinas, LLC  
For Adjustment of Rates and Charges Applicable  
to Electric Service in North Carolina

**FILED**

**DEC 23 2009**

Clerk's Office  
N.C. Utilities Commission

DOCKET NO. E-7, SUB 831

In the Matter of  
Duke Energy Carolinas, LLC  
For Approval of a Save-A-Watt Approach,  
Energy Efficiency Rider and Portfolio of Energy  
Efficiency Program

RESPONSE BY DUKE ENERGY  
CAROLINAS, LLC TO COMMENT  
BY CITY OF DURHAM ON  
COMPLIANCE FILING

DOCKET NO. E-7, SUB 872

In the Matter of  
Application of Duke Energy Carolinas, LLC  
Pursuant to G.S. 62-238 and Commission Rule  
R8-67 Relating to Incremental Costs for  
Compliance with Renewable Energy and Energy  
Efficiency Portfolio Standard

Duke Energy Carolina's, LLC ("Company") responds to the December 21, 2009  
Comment by City of Durham on Compliance Filing by enclosing an electronic (e-mail) response  
provided by Company Associate General Counsel Lara Simmons Nichols. This response was  
sent to City of Durham Senior Assistant City Attorney Sherri Zann Rosenthal on December 21,  
2009 at 11:27 am.

The Company contends that the e-mail response enclosed as Attachment "A" fully  
explains all issues raised by the City of Durham with respect to Schedule GL. In addition to the  
enclosed response, the Company has explained to the Public Staff that the prepayment option  
ordered by the Commission for the capital costs associated with poles and underground service is  
described in the explanation of the tariff and is calculated on a case by case basis, in the same

manner that the Commission has approved the pre-payment option for Extra Facilities in Leaf M of the Company's Service Regulations.

Accordingly, Duke Energy Carolina's, LLC requests the Commission to approve its' Compliance Filing, and the enclosed Schedule GL, which corrects the list of counties in the former Nantahala Area.

Respectfully submitted, this the 23<sup>rd</sup> day of December, 2009.

A handwritten signature in black ink, reading "Robert W. Kaylor" with a stylized flourish at the end.

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Lara S. Nichols  
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Email response from Lara Nichols to Sheri Zann Rosenthal 12/21/09 11:27 a.m.

Re: Durham's Questions on Rate Schedules

Sherri,

In response to your questions below we have developed the following responses. Should you have any follow up questions, please feel free to call Barbara Yarbrough at 704.382.7412. Barbara can pull in me and others as needed.

**1. Shouldn't GL rates equal analogous PL rates when one-time capital costs are stripped out?**

It doesn't appear that Duke Energy has provided rates for Schedule GL which strip out the capital costs. For example, the rates provided appear to include the cost of a 40-foot wooden pole.

Duke Energy represents that the "Existing Pole" rates in Schedule GL has the costs of poles and underground wiring removed. Page 30 of the Compliance Filing contains the following: "OPTIONAL PREPAYMENT OF CERTAIN CHARGES The Customer may, at its option, prepay the initial capital cost of poles and underground wiring, in which case the monthly rate per luminaire shall be the Existing Pole Rate shown above."

Duke Energy has stated that the purpose of new street lighting Schedule GL is to capture the capital costs which Duke Energy claims were not captured by existing Schedule PL. It is then logical that the rates for Schedule GL, when stripped of these capital costs, would equal those of Schedule PL for those categories where equivalent lighting is covered in this rate increase filing. This is not the case.

The table below shows a comparison of such rates, with the information being compiled from pages 29 and 31:

**Comparison of select GL with analogous PL rates**

Lumens	kWh/Mo	Style	GL Existing Pole	GL New Pole	PL inside muni limits
9,500	47	HP Sod. Vap.	9.89	11.11	8.64
16,000	70	HP Sod. Vap.	10.68	11.90	9.40
27,500	104	HP Sod. Vap.	12.64	13.86	11.28
40,000	155	Metal Halide	18.32	19.54	16.79

To take the 9,500 lumen fixture example, it may be that the capital cost of the new lighting head for existing poles is a capital cost included in the \$9.89 monthly rate, as compared to the new PL monthly rate of \$8.64. However, if this is the reason for the

rate differential, there should be a GL rate shown which strips out *all* capital costs and allows them to be paid separately.

**DUKE RESPONSE:** The base rates in Schedule PL reflect the average embedded cost of many very old light fixtures. The rate design for Schedule GL is based on Schedule OL, so the first column of prices for existing pole is equal to that on Schedule OL, not PL. The upfront payment option is included in a statement on the rate schedule. There are no numbers showing what that will be on the rate schedule. If a customer selects the prepayment option, it will be calculated based on the incremental cost of a pole and/or underground.

**2. The definition of “existing pole” in Schedule GL does not include a new lighting head (“luminaire”) on an existing pole which exists solely for street lighting, where the old luminaire is replaced. It is unclear what the charge is in this instance, or whether Schedule PL would continue to apply.**

**DUKE RESPONSE:** Replacement of an existing luminaire under Schedule PL will continue to be charged under PL, not under GL. Rate Schedule PL states:

“For mercury vapor luminaires installed prior to January 1, 2008, the Company will continue to replace lamps and make repairs other than ballasts, as long as mercury vapor lamps continue to be reasonably available from suppliers. If a ballast replacement is required, the Company will either convert the luminaire to another luminaire of similar size and lumen output where the luminaire can utilize reasonably available compatible ballast, or provide the closest size high pressure sodium luminaire under the applicable rate for the modified luminaire.”

**3. Neither Schedule GL or PL provides the dollar amounts for capital costs to be paid separately from monthly charges.**

Schedule GL does not have the costs for one-time capital items such as the lighting head, pole and wiring listed. It lists capital costs—additional to the monthly rates in the table—as an additional per month charge.

**DUKE RESPONSE:** As discussed above, If a customer selects the prepayment option, it will be calculated based on the incremental cost of a pole and/or underground.

**4. Schedule PL has underground wiring charges specified, and appears to include pole charges of \$1.78 per month.**

If a prime reason for Schedule GL to be established is that Schedule PL does not include capital costs such as underground wiring and pole costs, why does Schedule PL—closed to new installations—now have capital costs? Add-on charges to the monthly rates are specified for underground wiring. See the Rate section, subpart C (appearing on page 32). Similarly, at subpart 2(6) of the Explanatory Notes for Schedule PL (appearing on page 33), it is implied that \$1.78 in pole charges are included in each monthly charge for Schedule PL.

**DUKE RESPONSE:** Schedule PL is grandfathered in total and thus the structure of the rate has not been changed. The \$1.78 is not a new cost; it is a very old cost for a percentage an extra pole.

**5. The materials filed do not appear to provide information on second year phase-in rates.**

**DUKE RESPONSE:** As noted in Jeff Bailey's testimony, the Company will make a compliance filing prior to implementation of the second year phase-in for review by the parties.

**6. The fuel adjustment rider may not comport with prior filings.**

Leaf No. 60 tabulates fuel adjustment riders. The fuel rate charge effective January 1, 2010 for "General Service and Lighting" is 0.2301 cents/kWh. The 6/1/09 and 9/1/09 riders were reported as 0.012298 and 0.016596, respectively.

**DUKE RESPONSE:** Duke includes a base level of fuel costs in a flat per luminaire charge. Because the Company did not change the lighting rates in the last case (maybe the last two) we did not make any changes to the flat per luminaire charges (i.e. we did not change them to update them with the fuel cost approved in the last rate case) so the difference in fuel from what was in the flat rate and what was approved in the 2007 case, plus adjustments since then, have been collected via the adder. We have also had certain other adjustments, applied on a kWh basis that are also in that adder amount (such as Bulk Power Marketing profit sharing and Rider EE). The Fuel rider therefore does not match the adder on PL. In this rate case we did reset the base fuel amount in the flat per luminaire charges and will now make all adjustment through the use of the various riders.

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**SCHEDULE GL (NC)  
GOVERNMENTAL LIGHTING SERVICE**

**AVAILABILITY (North Carolina Only)**

Available for all-night outdoor lighting service to Municipal, County State, and Federal Governments solely for the purpose of lighting public streets, highways, and other public places. All facilities necessary for service under this Schedule, including fixtures, lamps, controls, poles, hardware, transformers, conductors, and other appurtenances shall be owned and maintained by the Company. Service using overhead conductors is not available in any area designated by the Company as underground distribution area, nor in any area, location, or premises being served from an underground source. This Schedule is not available for service to non-governmental entities. This Schedule is not available for seasonal or other part-time operation of outdoor luminaires.

**RATE:****(A) Bracket-Mounted Luminaires**

All-night street lighting service using overhead conductors and Company standard equipment mounted on standard wood poles. "Urban" luminaires are defined as "cobra-style" fixtures with enclosed refractive or flat lenses and horizontal-burning lamps. Existing Pole" is defined as a pole utilized for distribution facilities and not solely to support the luminaire.

<u>Lamp Rating</u>			<u>Per Month Per Luminaire</u>		
<u>Lumens</u>	<u>kWh Per Month</u>	<u>Style</u>	<u>Existing Pole (1)</u>	<u>New Pole</u>	<u>New Pole Served Underground</u>
High Pressure Sodium Vapor					
9,500	47	Urban	\$ 9.89	\$11.11	\$11.97
16,000	70	Urban	\$10.68	\$11.90	\$12.76
27,500	104	Urban	\$12.64	\$13.86	\$14.72
50,000	156	Urban	\$15.40	\$16.62	\$17.48
Metal Halide					
9,000	43	Urban	\$11.33	\$12.55	\$13.41
40,000	155	Urban	\$18.32	\$19.54	\$20.40
78,000	295	Area	\$42.31	\$43.53	\$44.39

- (1) The "Existing Pole rate is applicable to a luminaire installed on a pole which does not solely support the luminaire, or for an additional luminaire on the same pole as another luminaire.

**RIDERS**

The following Riders are applicable to service supplied under this schedule. The currently approved cents/kWh rider increment or decrement must be added to the cents/kWh rates shown above to determine the monthly bill.

Leaf No. 60	Fuel Cost Adjustment Rider
Leaf No. 62	Energy Efficiency Rider
Leaf No. 63	BPM Net Revenues and Non-Firm Point to Point Transmission Revenues Adjustment Energy Efficiency Adjustment Rider
Leaf No. 64	Existing DSM Program Costs Adjustment Rider
Leaf No. 65	DSM Deferral Balance Rider
Leaf No. 73	CWIP Financing Cost Rider
Leaf No. 74	Nuclear Insurance Reserve Rider
Leaf No. 76	Fuel Over Collection Rider
Leaf No. 77	Coal Inventory Rider
Leaf No. 208	Purchased Power Cost CP (applicable only to customers in Cherokee, Clay, Graham, Jackson, Macon and Swain counties)

**(B) Other Luminaires**

Decorative and non-standard luminaires can be installed on request, at the Company's option, at the rate in (A) above plus an extra monthly charge equal to 1.7% of the estimated difference in cost installed between the luminaire and structure requested and the equivalent luminaire and wood pole in (A) above.

SCHEDULE GL (NC)  
GOVERNMENTAL LIGHTING SERVICE

(C) Underground Charges

- (1) Additional monthly charge for the underground conductor system:  
\$.07 for each increment of 10 feet, or less, over 150 feet per pole
- (2) When the installation requires the cutting and replacing of pavement of more than one drive or one walkway per luminaire, 1.7% of the estimated cost of this cutting and replacing of pavement will be added to the charges above.
- (3) When an installation is in an area served by a concrete-encased duct system, additional charges stated above will not apply and, instead, the additional monthly charge will be 1.7% of the estimated cost of the underground conductor system.
- (4) An underground conductor system, up to 150 feet per pole, can be installed to an existing pole under the "Existing Pole" rate in (A) above, for an additional monthly charge of \$.87 per pole. For installations over 150 feet per pole, the charges under (C) (1) above will apply in addition to the \$.87 charge.

(D) Other Charges

- (1) Wood poles longer than 40 feet may be installed for an extra monthly charge equal to 1.7% of the estimated installed cost difference between the standard wood pole and the pole requested.
- (2) Standard wood poles may be provided for \$6.09 per pole per month when provided solely to support traffic signals.
- (3) Brackets longer than 12 feet, but not longer than 20 feet can be installed for an additional monthly charge of \$4.50.
- (4) Should the number of poles in the secondary extension required to serve the luminaire(s) exceed the number of poles on which bracket-mounted luminaires are installed, a monthly charge of \$1.22 per pole shall be made for such excess number of poles.
- (5) When the installation requested requires a primary extension solely to serve the luminaires, an additional monthly charge of 1.7% of the estimated cost of the primary extension will be made.
- (6) At the Company's option and upon customer request, a monitoring device which automatically notifies the Company when a luminaire has failed can be installed for an additional monthly charge of \$2.50.

OPTIONAL PREPAYMENT OF CERTAIN CHARGES

The Customer may, at its option, prepay the initial capital cost of poles and underground wiring, in which case the monthly rate per luminaire shall be the Existing Pole Rate shown above.

PAYMENT

Bills under this Schedule are due and payable on the date of the bill at the office of the Company. Bills are past due and delinquent on the fifteenth day after the date of the bill. If any bill is not so paid, the Company has the right to suspend service. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one percent (1%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of, and be due and payable with, the bill on which it is rendered.

CONTRACT PERIOD

The original term of contract may be from a minimum of three (3) years to a maximum of ten (10) years. Contracts will continue after the original term until terminated by either party on thirty days' written notice. The Customer may amend or terminate the Agreement before the expiration of the initial Contract Period by paying to the Company a sum of money equal to 40% of the monthly bills which otherwise would have been rendered for the remaining term of the initial Contract Period, less the monthly bills for the initial term of contract of any successor customer who has applied for lighting service at the premises prior to the effective date of the contract amendment or termination, provided, however, this amount shall not be less than zero. The Company may require a deposit not to exceed 40% of the revenue for the original term. The deposit will be returned at the end of the original term, provided the Customer has met all provisions of the contract. Minimum term of contract for specific situations shall be:

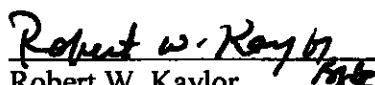
- (a) Three years for all luminaires designated as standard by the Company.
- (b) Ten years for all luminaires designated as decorative or nonstandard or when a primary extension is required solely to serve the luminaires.



CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Carolinas, LLC's Response to Comment by City of Durham and Schedule GL in Docket Nos. E-7, Subs 909, 831 and 872 has been served by electronic mail (e-mail), hand delivery or by depositing a copy in the United States Mail, first class postage prepaid, properly addressed to parties of record.

This the 23<sup>rd</sup> day of December, 2009.

  
\_\_\_\_\_  
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