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June 10, 2014

VIA ELECTRONIC FILING

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

**RE: Review of Duke Energy Progress, Inc.'s Cost Recovery and Incentive Mechanism for Demand-Side Management and Energy Efficiency Programs
Docket Nos. E-2, Subs 931 and 1002**

Dear Ms. Mount:

Duke Energy Progress, Inc. ("DEP" or the "Company") hereby petitions the North Carolina Utilities Commission ("Commission") for review of the DEP Cost Recovery and Incentive Mechanism for Demand-Side Management ("DSM") and Energy Efficiency ("EE") Programs (the "Mechanism") in connection with the above-referenced matters. DEP asserts that its Mechanism is working well and producing significant and meaningful DSM and EE results and, accordingly, as set forth more fully below, proposes minor modifications to its Mechanism and a proposed schedule for engaging intervenors in an effort to streamline Commission consideration of this review.

Background

On June 15, 2009, in Docket No. E-2, Sub 931, the Commission issued an *Order Approving Agreement and Stipulation of Partial Settlement, Subject to Certain Commission-Required Modifications* ("E-2, Sub 931 Order"), which included Commission approval of the Mechanism agreed to by Carolina Power & Light Company, d/b/a Progress Energy Carolinas, Inc. (now known as DEP), the Public Staff – North Carolina Utilities Commission ("Public Staff"), and Wal-Mart Stores East, LP and Sam's East, Inc.

On November 14, 2011, in Docket No. E-2, Sub 1002, the Commission issued an *Order Approving DSM/EE Rider and Requiring Filing of Proposed Customer Notice* ("E-

2, Sub 1002 Order”), in which, among other things, the Commission found and concluded that the Public Staff should initiate a formal review of DEP’s Mechanism (the “Review”) not later than June 1, 2012, unless requested to do so earlier by DEP or another interested party. The Commission’s E-2, Sub 1002 Order stated that the Public Staff’s Review should “specifically address whether the incentives in the Commission-approved Mechanism are producing significant DSM and EE results; whether the customer rate impacts from the DSM/EE rider are reasonable and appropriate; whether overall portfolio performance targets should be adopted; and any other relevant issues that may be identified during the review process.”

On April 10, 2012, the Public Staff moved for an extension of time to initiate the Review until June 1, 2014, which the Commission granted in its May 15, 2012 *Order Granting Extension of Time* in Docket Nos. E-2, Subs 931 and 1002.

Status of Review

On April 9, 2014, the Public Staff and the Company initiated the Review, with a follow-up meeting on June 3, 2014. The Public Staff and the Company agree that the Mechanism has generally worked well in terms of functionality and transparency, and that any differences of opinion between the Public Staff and DEP have been resolved without significant controversy. As such, neither the Company nor the Public Staff intend to propose any major changes during the Review. In addition, with regard to the specific items identified in the E-2, Sub 1002 Order, as the incentives in the Commission-approved Mechanism are producing significant and meaningful DSM and EE results, customer rate impacts from the DSM/EE rider are reasonable and appropriate, and there is no indication that overall portfolio performance targets should be adopted, the Company does not believe that any changes with regard to these items are necessary. DEP will address these items in more detail in its comments associated with the Review.

DEP’s Proposed and Potential Modifications to Mechanism

As part of the Review, the Company proposes the following minor modifications to the Mechanism, which are intended to streamline administration of the Mechanism and rider filings and to incorporate best practices that the Public Staff and DEP have identified and/or implemented since approval of the Mechanism, including some approved aspects of Duke Energy Carolinas, LLC’s (“DEC”) process:

1. Changing references from “PEC” to “DEP;”
2. Requesting a waiver of Rule R8-69(a)(4) and R8-69(a)(5), so that the test period and rate period for DEP’s DSM/EE rider align with the calendar year;
3. Changing the filing date for DEP’s annual DSM/EE rider filing, so that instead of filing its initial rider application and supporting testimony/exhibits in June, then filing updated numbers in August, DEP would make a single filing in July of each year;
4. Leverage common practices with DEC by adopting and incorporating the Flexibility Guidelines established for DEC in Docket No. E-7, Sub 831

and then again approved as a component of its new portfolio in Docket No. E-7, Sub 1032; and

5. Adopting the protocols and application methodology for evaluation, measurement, and verification (“EM&V”) results that were established in the EM&V Agreement between DEC, the Public Staff and Southern Alliance for Clean Energy which was approved by the Commission in Docket No. E-7, Sub 979, and maintained as a component of DEC’s new portfolio in Docket No. E-7, Sub 1032, which will allow DEC and DEP to consolidate some aspects of the EM&V process and potentially save costs.

Other potential modifications that the Company is considering and would like to discuss with interested parties during the Review include, without limitation:

1. Modifying the Program Performance Incentive (“PPI”) to a single shared savings percentage for both EE and DSM programs rather than the current shared savings percentages of 13% for EE programs and 8% for DSM programs;
2. Similar to the DEC mechanism, as a further incentive to pursue all cost-effective EE and DSM programs, DEP will have the ability to earn a bonus incentive if it achieves incremental energy savings of 1% of the prior year’s eligible retail electric sales in any year during the four-year period, 2015 through 2018;
3. Requesting a waiver of Rule R8-69(d)(3) to allow eligible customers to opt out of the DSM and/or EE portions of the EE/DSM rider separately, which would require modification of the amortization period;
4. Modifying the current “Opt-In” period requirement, applicable to “Opt-Out” eligible customers participating in the Company’s EE and DSM programs, to no more than three years; and
5. Allocating net lost revenues for EE programs in the same manner as currently employed by DEC.

DEP would like to clarify and emphasize that neither the E-2, Sub 931 Order nor the E-2, Sub 1002 Order require the Review to include review or modification to DEP’s portfolio of EE/DSM programs, and the Company does not intend to address any program changes as a part of the discussions or comments associated with the Review.

Proposed Procedural Schedule

The Company and the Public Staff have discussed scheduling an informal discussion with interested parties with the objective of reaching a consensus on these and any other issues prior to the filing of comments. The parties contacted by the Public Staff indicated that they have no objection to an informal discussion to take place in July, with a period for comments during the August time frame. Accordingly, DEP proposes the following schedule for Review and Comments:

July 18, 2014: Deadline for informal meeting to discuss proposed changes in an attempt to reach agreement. DEP and the Public Staff would invite all parties who participated in the Mechanism proceeding in Docket No. E-2, Sub 931, and anyone else who seeks intervenor status.

August 1, 2014: Deadline for filing comments on DEP's proposed changes and any other intervenor comments.

August 15, 2014: Deadline for reply comments.

It is DEP's expectation that the Commission could rule on the basis of DEP's filing and subsequent comments from the parties without the need for an evidentiary hearing, particularly if there are no major contested issues. However, if a hearing is necessary, DEP respectfully requests a hearing date to be set no later than September 30, 2014, to allow for adequate time for a Commission order to be issued prior to January 1, 2015, so that any new DSM/EE recovery impacts or procedures could be in effect beginning with the 2015 vintage year.

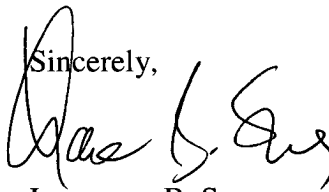
Please direct all notices and communications relating to the Review to the following:

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Wherefore, DEP respectfully requests that the Commission issue a scheduling order approving the proposed procedure and schedule for the Review.

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

Sincerely,

Lawrence B. Somers

cc: Parties of Record

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Progress, Inc.'s Review of Cost Recovery and Incentive Mechanism for Demand-Side Management and Energy Efficiency Programs has been served by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid, properly addressed to the following parties of record:

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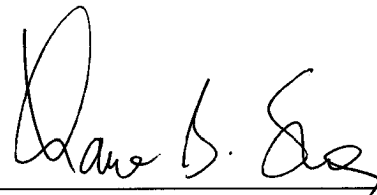
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This the 10th day of June, 2014.

By: _____



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