STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-7, SUB 710
DOCKET NO. E-2, SUB 847

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 710 In the Matter of Request by Duke Energy Carolinas, LLC for Approval of a Levelized Billing Program DOCKET NO. E-2, SUB 847 In the Matter of Request by Progress Energy Carolinas, Inc. for Approval of a Balanced Bill Program	))))))))))))	ORDER REQUESTING FURTHER INFORMATION

BY THE COMMISSION: Each of these dockets involve voluntary fixed monthly payment plans for residential electric customers. Duke's fixed payment plan (FPP) was approved by Commission Order dated July 17, 2002 and, according to the monthly status report for June 2007, this program now has 102,765 customers. Progress' balanced bill program (BBP) was approved by Commission Order dated February 26, 2004 and, according to the monthly status report for June 2007, this program now has 56,711 customers.

When these programs were presented to the Commission for its consideration, the Public Staff, as well as the other intervenors, expressed a potential concern that these programs may lead to a lack of conservation by participants. In the Order approving Duke's FPP, the Commission required, among other things,

> That the Public Staff shall monitor, on an ongoing basis, the impact, if any, that the FPP may have on energy conservation and Duke's system peak demand and shall make such reports to the Commission as it deems appropriate.

On June 8, 2007, Duke filed a request to revise its FPP. In the Public Staff's agenda item which presented this revision to the Commission for its consideration, the Public Staff stated that "FPP reports have indicated that, on average, customers who have enrolled in this Program during the first couple of years have increased their energy usage and their contributions to the peak demand at higher levels than a typical residential customer." In the Order approving Progress' BBP, the Commission required that Progress shall provide annual program reports to the Public Staff. To date, the Public Staff has not yet commented on the Progress annual program reports.

Given the fact that these programs now have a history of operation (five years and three years, respectively) and in view of recent legislative developments, the Commission believes it is appropriate to investigate the impact of Duke's FPP and Progress' BBP on energy conservation and system peak demand.

IT IS, THEREFORE, ORDERED as follows:

1. That Duke and Progress shall file comments and any studies on the impact of these programs on energy conservation and peak demand not later than September 21, 2007; and

2. That the Public Staff and other intervenors shall be allowed to file reply comments not later than October 22, 2007.

ISSUED BY ORDER OF THE COMMISSION.

This the 21st day of August, 2007.

NORTH CAROLINA UTILITIES COMMISSION

Patricia Swenson

Patricia Swenson, Deputy Clerk

mr082107.01

Kind Rebuttal
Attachment 8

Duke Energy
Carolinas

DUKE ENERGY CAROLINAS, LLC
526 South Church St.
Charlotte, NC 28202

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EC03T / PO Box 1006
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September 20, 2007

VIA OVERNIGHT MAIL

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

RE: Docket No. E-7, Sub 710
Fixed Payment Program – Duke Energy Carolinas' Comments

Dear Ms. Vance:

Duke Energy Carolinas, LLC ("Duke Energy Carolinas" or the "Company") submits the original and 25 copies of Comments in response to the Commission's Order Requesting Further Information regarding the Company's Fixed Payment Plan program and a similar program offered by Progress Energy Carolinas, Inc. issued in this Docket and Docket No. E-2, Sub 847 on August 21, 2007.

If you have any questions, please let me know.

Sincerely,

Lara Simmons Nichols

pa

Enclosure

cc: Robert W. Kaylor, Esquire
Parties of Record

Kind Rebuttal
Attachment 9

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 710

In the Matter of	)	
Request by Duke Energy Carolinas, LLC	)	DUKE ENERGY CAROLINAS'
For Approval of a Levelized Billing Program	)	COMMENTS

Duke Energy Carolinas, LLC ("Duke Energy Carolinas" or the "Company") provides these Comments in response to the Commission's Order Requesting Further Information regarding the Company's Fixed Payment Plan ("FPP") program and a similar program offered by Progress Energy Carolinas, Inc. issued in this Docket and Docket No. E-2, Sub 847 on August 21, 2007. These Comments describe the FPP program and customer responses to the program and present the impact of the FPP program on energy conservation and system peak demand. As shown below, these impacts are in the range predicted when the FPP program was initially approved and consistent with the impacts of Duke Energy Carolinas' Equal Payment Plan which has been in place since 1958.

Duke Energy Carolinas requested Commission approval of the FPP program in 2002 based upon industry data indicating that certain customers highly value a payment option with bill amount certainty. The key benefits of FPP are certainty of a fixed bill amount for twelve months, irrespective of weather, the peace of mind that there will not be a settle up in the twelfth month, and for customers on the Automatic Payment Plan (bank draft) the convenience of knowing the exact amount drafted monthly. The Company's launched its FPP program in the summer of 2002. Currently 110,653 North Carolina customers participate in FPP representing 7.5% of residential customers.

Kind Rebuttal
Attachment 9

The program renewal rates clearly show that customers electing to participate in FPP are extremely satisfied with the program and this satisfaction further leads to greater satisfaction with Duke Energy Carolinas. The initial FPP renewal campaign in the summer of 2003 resulted in a 90% renewal rate. The nine renewal campaigns have produced response rates ranging from 83% to 95%, with an average of 90% for all campaigns. Market research studies conducted in 2004 and 2007 indicate that FPP customers have high satisfaction with the program and higher satisfaction with Duke Energy than customers not participating in FPP. Although the unit of measures changed from 2004 to 2007, survey results were:

- 2004 – On a scale of 1 to 10 the average Duke Energy residential customer satisfaction with Duke Energy was 8.45 compared to FPP customer satisfaction of 9.07.
- 2007 – On a scale of 1 to 10, 84.6% of non-FPP customers and 91.4% of FPP customers rating their satisfaction with Duke Energy an 8, 9 or 10.

Therefore, Duke Energy Carolinas' experience is consistent with the industry data that lead it to adopt FPP, this program provides customers with a highly valued billing option.

In its Order Approving Fixed Payment Program for Residential Customers issued on July 17, 2002, the Commission noted that the potential impact on energy conservation did not appear to go significantly beyond that experienced under Equal Payment Plan, a payment plan to which no party objected.

Any levelized billing program, either with a true-up (as in Equal Payment Plan), or without a true-up (as in FPP), can result in increased usage by the customer as the price impact of increased usage is delayed. Under Equal Payment Plan this increase is captured in the annual true-up amount. In FPP, this increase is factored into the fixed payment amount. FPP includes a usage adder to reflect the expected change in customer usage. In addition, FPP includes a risk premium to recover the increase in uncertainty about the degree of cost recovery relative to the standard tariff. Customers are advised prior to enrollment that their payment under FPP may be as much as 10% higher than under the standard rate schedule. For both Equal Payment Plan and FPP, increased usage in a 12 month billing period results in a higher monthly payment for the following program year.

At the inception of FPP the Company relied on its Equal Payment Plan usage data in order to estimate the increased usage for FPP customers. Then the Company began capturing actual FPP usage data in order to estimate increased usage for purposes of developing customers' monthly fixed payments. The usage adders used in developing the customers' fixed payments have been adjusted based on the trends shown in the data. Each year, the Company collaborates with the Public Staff and the Attorney General to determine the appropriate usage adders. The table below shows the factors currently in use for developing customers' monthly fixed payment amounts. The adders are designed to capture the increased usage as well as compensate the Company for increased risk in accepting a fixed payment amount.

	Year on FPP			
	1	2	3	4 or greater
Usage Adder	5.00%	4.0%	0.0%	0.0%
Normal Growth	0.30%	0.3%	0.3%	0.3%
Price Response Factor	1.66%	1.7%	1.7%	0.0%
Subtotal	6.96%	5.96%	1.96%	0.30%
Value at Risk Factor	2.16%	2.16%	2.16%	2.16%
Total FPP Adder	9.12%	8.12%	4.12%	2.46%
Rounded Adder	9.1%	8.1%	4.1%	2.5%

The Company has compared the actual metered usage data of FPP customers to predicted usage data based on actual weather experience to approximate the increased usage that is anticipated to occur with a fixed monthly payment. Data has been gathered from eight enrollment campaigns involving twenty 12-month periods. Sufficient data exists to show the trends exhibited by customers in their first year, second year and third year on the program. However, data for years four or greater is not yet sufficient to analyze. The usage data is adjusted to exclude impacts of changes due to temperature, but includes what would be considered normal growth in customer usage. This average increased usage data is presented in the table below.

Usage Increase - Actual vs. Predicted	Percent Increase
Year 1 on FPP, average of all campaigns	9.3%
Year 2 on FPP, average of all campaigns	2.9%
Year 3 on FPP, average of all campaigns	1.3%

This data demonstrates that, as predicted and as seen with Equal Payment Plan customers, FPP customers on average have increased their energy usage somewhat in the first couple of years; however, this trend quickly declines as customers remain on the program.

The Company has also gathered data related to the impact of FPP on peak demand. Load research data has been gathered for a statistical sample of FPP customers and compared to a control group of customers with similar load profiles. The Company has found that the impact the FPP sample population indicates a higher usage at time of peak than the control group. However, the overall impact on the Company's peak is insignificant given that the kilowatt hour sales to customers on FPP are a small percentage, about 2%, of the Company's total kilowatt hour sales. In 2004, the FPP sample population showed 31% higher usage than the control group, which would affect the system peak by 0.3%. This trend has declined year by year. In 2006, the FPP sample population showed 11% higher usage, which would affect the system peak by 0.2%. Analysis of the 2007 peak in August has not been completed yet. Because a residential customer's air conditioning is likely to be operating continuously during the hours around the summer peak hour, it seems improbable that that an FPP customer uses more energy at the time of peak than a non-FPP customer. The impact on peak implied by the data may be attributable to unidentified differences between the FPP sample and the control group.

As indicated in Duke Energy Carolinas' Energy Efficiency Plan filed in Docket No. E-7, Sub 831, the Company seeks to aggressively pursue new energy efficiency programs. The Company believes that in order to be successful in this effort it must make energy efficiency for customers something that is as automatic or "back of mind" as energy usage. As such, Duke Energy Carolinas' efficiency programs must be designed to both provide additional benefits and minimize adoption barriers.

Even with a premium price, participation in FPP has demonstrated its appeal among customers. Managing the size of the bill with a known level of certainty and predictability has met the needs of many customers. Duke Energy Carolinas is exploring options that capitalize on the appeal of FPP while delivering energy efficiency results. Coupled with demand response and conservation options, these programs could deliver bill reduction, certainty and predictability benefits to customers, thus expanding and accelerating customer adoption of efficiency measures. Initial customer research shows that energy efficiency options packaged with a fixed bill increases customer interest, involvement and likely participation. The Company will look for opportunities to incorporate FPP with energy efficiency options thereby both increasing the likelihood of participation in energy efficiency programs as a whole and increasing energy conservation on the part of FPP customers.

Based upon the above discussion, Duke Energy Carolinas believes that the Fixed Payment Plan is a voluntary billing option with exceptionally high customer satisfaction. As expected, FPP has a similar effect on usage as the Company's Equal Payment Plan and on average causes increased usage within expected limits during the early years of program participation, but does not significantly impact system peak demand. Duke Energy Carolinas will continue to evaluate the opportunity to couple FPP with energy efficiency options for customers. Therefore, Duke Energy Carolinas should continue to offer this valued billing option to its North Carolinas retail customers.

Respectfully submitted this the 20th day of September, 2007.

Lara Simmons Nichols
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ATTORNEYS FOR DUKE ENERGY CAROLINAS

CERTIFICATE OF SERVICE

Docket No. E-7, Sub 710

I certify that a copy of the foregoing Application was sent by regular U.S. mail or overnight mail to the persons listed below this 7th day of May, 2007.

Len Anthony, Deputy General Counsel
Progress Energy Carolinas, Inc.
Regulatory Affairs / PEB 17A4
P. O. Box 1551
Raleigh, NC 27602-1551

James P. West
West Law Offices, P.C.
P. O. Box 1568
Raleigh, NC 27602

This the 20th day of September, 2007.

Lara Simmons Nichols
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Progress Energy

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September 20, 2007

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Ms. Renne Vance, Chief Clerk
North Carolina Utilities Commission
P. O. Box 29150
Raleigh, North Carolina 27626-0510

RE: Comments Regarding Residential Balanced Bill Payment Plan
NCUC Docket No. E-2, Sub 847

Dear Ms. Vance:

Pursuant to the Commission's Order dated August 21, 2007, in the above referenced docket, Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. (hereinafter "PEC") submits an original and thirty-two (32) copies of its Comments Regarding the Impact of Residential Balanced Bill Payment Plan on Customer Consumption. PEC believes that the Balanced Bill Payment Plan does increase customer usage, but has a minimal impact on system peak demand. PEC further believes that this payment option is highly valued by participants and represents a minimal risk to non-participants and therefore should continue to be promoted.

Very truly yours,

Len S. Anthony
Deputy General Counsel - Regulatory Affairs

LSA

Attachments

Progress Energy Service Company, LLC
P.O. Box 1551
Raleigh, NC 27602

Kind Rebuttal
Attachment 10

Progress Energy Carolinas - Comments on the Impact of the Residential Balanced Bill Payment Plan on Customer Consumption

Background: Progress Energy Carolinas (hereinafter "PEC") introduced its Residential Balanced Bill program in March 2004 based upon industry data that customers highly valued the bill certainty provided by this type of payment option. Industry evidence showed that customers like a guaranteed billing option and are willing to pay a fee for that guarantee.

Increased Usage:

Although a formal study is not available, PEC routinely compares actual and predicted usage for Balanced Bill participants. PEC predicts participant usage based upon the most recent 24 months of a customer's historic usage, adjusted to reflect normal weather. The following table reflects PEC system data comparing predicted usage based upon the prior 24 months to actual usage (both are adjusted to reflect normal weather) during the program year for all completed 12 month contract terms:

Participant Year	Enrollment	% Change from Predicted Usage (Excludes any adjustment due to the Usage Adder)
First	76,213	6.94%
Second	47,242	2.99%
Third or More	22,285	1.68%

It is important to note that while the table shows changes from a prior 24-months usage, it should not be interpreted as changes from what was consumed prior to being billed under the Balanced Bill plan. That is, these percentages do not represent a true change in consumption caused by the program. This may be best illustrated by an example. If you assume a customer uses 1,000 kWh every month for 24 months before requesting Balanced Bill, based upon the above table, PEC would then expect monthly usage to increase to 1,069 kWh (1000 kWh plus 6.94%) during the first Balanced Bill year. The second year calculation would then be based upon the prior 24 months usage, the average monthly usage being 1,035 kWh (average of 1,000 kWh in the first 12 months and 1,069 kWh in the second 12 months). Again based upon the above table, PEC would expect a monthly usage of 1,066 kWh (1,035 kWh plus 2.99%) during the second Balanced Bill year. The third year calculation would then be based upon the prior 24 months usage, the average monthly usage being 1,068 kWh (average in the first 12 months of 1,069 kWh and 1,066 kWh in the second 12 months). Based upon the above table, PEC would expect a usage of 1,086 kWh (1,068 kWh plus 1.68%) during the third Balanced Bill year. Ignoring all other factors that impact usage except weather, the increase in usage after 3 years of participation in the Balanced Bill plan is therefore 8.6%. This result concurs with PEC's experience with its Equal Payment Plan, established pursuant to Rule R8-44, which found a similar increase in usage.

Kind Rebuttal
Attachment 10

Impact on Peak Demand: PEC does not have any data regarding the impact of its Balanced Bill program on peak demand. In creating the Balanced Bill plan, PEC discussed the issue of impact on system peak demand with its consultant, Christensen and Associates, and concluded that Balanced Bill would not have a significant impact on the system peak. Our consultant explained that the primary lifestyle change customers implement when changing to a fixed payment plan is to adopt more comfortable HVAC settings. On the peak day when outdoor temperatures approach or exceed 100 degrees, a customer's air conditioning system is operating continuously regardless of whether the thermostat is set at 78 degrees or at 75 degrees; therefore, the impact on the utility's demand does not change. There is an obvious gain in kWh sales during non-peak hours due to increased HVAC usage, but there is little or no impact on the system peak hour. The consultant's view was based primarily on load research conducted by Georgia Power. Representatives of Georgia Power indicated that their load research was conducted to assess usage for specific customers before and after the account received service under a fixed bill payment plan. This approach eliminates any selection bias that may be introduced if you tried to compare a Balanced Bill customer group with a comparable customer grouping of non-Balanced Bill customers. Georgia Power concluded that their customers' demand contribution to the system peak hour was virtually the same before and after the customers received the fixed bill payment option. More recently, PEC has spoken with representatives of Gulf Power, whose load research reached the same conclusion that Georgia Power reached: that there is minimal impact on system peak demand due to a fixed payment plan option. Based on the information received from our consultant and the results of the studies conducted by Georgia Power and Gulf Power, PEC does not believe that the Balanced Bill payment option has a significant impact on the system peak demand.

Customer Satisfaction: PEC experience to date shows that nearly 95% of Balanced Bill participants elect to continue the Balanced Bill payment plan when renewal letters are offered. This renewal rate is exceptionally high for an optional utility product and indicates that customers value the bill certainty offered with this type of service. Additionally, PEC employed Bellomy Research, Inc. to conduct telephone surveys in 2005 and 2006 to assess customer satisfaction with the Balanced Bill program. Bellomy Research concluded that Balanced Bill achieved an overall satisfaction rating of 87% in 2006. The survey also found that few customers experienced problems with the administration of the program and were likely to continue the Balanced Bill program because the customers like knowing the amount of their monthly bill. Bellomy Research concluded that overall satisfaction was so high that there is little room for improvement in the program.

PEC has also found that different products appeal to different customers and offering many diverse products and services is viewed positively by customers. While products such as electronic billing, bank drafts, Green Power, credit card payments, outdoor lighting or fixed bill plans don't appeal to all customers, many customers find such products to be highly valued and view PEC positively for offering them.

Conservation: PEC encourages all Balanced Bill participants to practice conservation to reduce their future Balanced Bill payments. This is accomplished by proactively providing an "Energy Conservation" fact sheet to all participants in our confirmation letter acknowledging their request for Balanced Bill service. Additionally, PEC advises the customer by letter and sends this same fact sheet if their usage exceeds predicted levels by 30% or more for three consecutive months to help the customer avoid automatic removal from the payment plan.

Future Demand Side Management and Energy Efficiency (DSM and EE) Opportunities: PEC is actively engaged in developing new DSM and EE programs to encourage customers to reduce and shift usage. PEC believes that high customer satisfaction with Balanced Bill gives customers greater confidence in other PEC programs, including DSM and EE. Furthermore, the use of home energy monitors could be used to educate Balanced Bill customers on their energy usage and the potential impact on future Balanced Bill offers. PEC believes Balanced Bill will be an excellent marketing channel to more effectively meet our customers' overall energy requirements.

Conclusions: PEC believes that levelized payment plans, such as Balanced Bill or the Equal Payment Plan, do cause a customer to initially increase usage for one to three years, but do not significantly increase the system peak demand. Balanced Bill is a highly valued payment option by over 55,000 customers today in North Carolina representing over 5% of residential accounts. Renewal rates indicate that nearly 95% of participants request to continue on the program after the first year highlighting the overall satisfaction with the plan. It is also anticipated that offering Balanced Bill will enhance acceptance of other utility programs, in particular future DSM and EE offerings. Overall, PEC concludes that Balanced Bill meets customer needs with only minimal risk impact on generation additions and therefore should continue to be offered.