



**Welcome
SCEUC**



to

**Duke Energy Carolinas
Spring 2011 Meeting**

Agenda



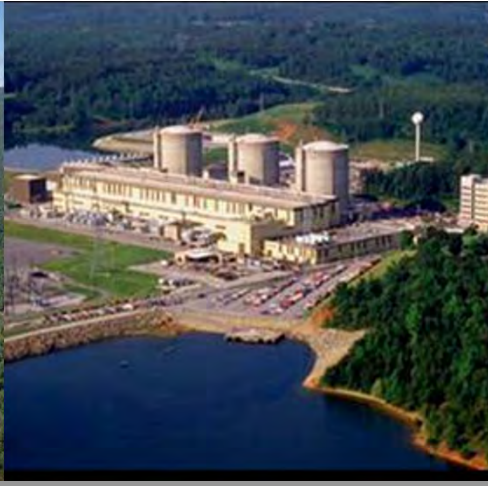
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|-------|---|
| 10:00 | Welcome |
| 10:10 | 2011 Regulatory & Legislative Update |
| 10:40 | SC/NC Rate Cases, Fuel & Energy Efficiency Filing
SAW Cost Recovery Vintage Year 3 |
| 11:30 | Energy Efficiency, Market Updates, Customer &
Technology Applications |
| 12:00 | SC President's Remarks |
| 12:30 | Lunch |
| 1:15 | Key Environmental Challenges |
| 1:45 | Nuclear Development |
| 2:20 | Closing |
| 2:30 | Adjourn |

2011 South Carolina Regulatory and Legislative Update

Bonnie Loomis – Director Strategy & Planning
for South Carolina

Timika Shafeek-Horton – Deputy General Counsel





Duke Energy Carolinas Rates Update

May 24, 2011

Summary of 2011 Rate Changes - SC

		South Carolina					
		Residential		General		Industrial	
Rate Change	Effective Date	cents per kwh	%	cents per kwh	%	cents per kwh	%
EE Rider 2 ⁽¹⁾	Jan 1 2011	0.02697 (+0.0961)	1.1%	0.1008 (+0.0453)	0.6%	0.1008 (+0.0453)	1.0%
Pension Rider update	Apr 1 2011	0.0089 (-0.0077)	-0.1%	0.0089 (-0.0077)	-0.1%	0.0089 (-0.0077)	-0.2%
Fuel Adjustment Clause update (FORECAST)	Oct 1 2011	+ .36 to .50	4 to 6%	+ .36 to .50	5 to 7%	+ .36 to .50	8 to 11%
EE Rider 3 ⁽²⁾	Jan 1 2012	To be filed July 1					

NOTES:

1. Rider 2 includes Vintage 2 for EE and DSM, and year 2 lost revenues for EE Vintage 1.

2 Rider 3 includes Vintage 3 for EE and DSM, true-up for Vintage 1, and year 2 lost revenues for EE Vintage 2



Other Upcoming Rate Impacts

Effects of 2009 Rate Case Temporary Decreases that will Terminate			
Percentages vary by customer class	SC		
	2011	2012	2013
Nuclear Insurance Giveback		1.00%	
DSM Giveback			3.00%
Total		1.00%	3.00%

Current and Forecasted Fuel Rates – South Carolina



	Current Rates Oct. '10 – Sept. '11	Forecast Oct.'11 – Sept. '12	% Change
Residential	1.9439 ¢ per kwh	2.47 – 2.60¢ per kwh	4 – 6% incr.
General/Lighting	1.9634 ¢ per kwh	2.46 – 2.60¢ per kwh	5 – 7% incr.
Industrial	1.9917 ¢ per kwh	2.45 – 2.58¢ per kwh	8 – 11% incr.

Higher forecasted rates primarily due to:

- change in over/under recovery position (current rate reflects over-collection, forecasted rate reflects under-collection) – 65% of increase
- higher coal prices
- use of higher priced generating units to supply higher sales
- higher nuclear fuel prices

NOTE: Forecasted fuel rates include return of over-collection of coal inventory costs of approximately \$1.3 million.

Pension Cost Rider

Separate rider approved in 2009 rate case for rates effective February 1, 2010, to recover increased pension costs.

Original rider implemented Feb 1 = 0.0166 ¢ per kwh

New rider approved and implemented April 1 = 0.0089 ¢ per kwh for billing period April – December 2011.

Cost Recovery Basics – Save-a-Watt Program

- Performance based
 - Revenue requirements are determined by applying avoided costs to saved KW and KWh
 - Avoided costs per KW and KWh are fixed unless actual avoided costs vary by 25% or more
 - Avoided costs recovered are a portion of avoided costs based on predetermined percentages
 - Lost revenues are recovered separately from avoided costs, but still based on saved KWh
 - Lost revenue recovery is limited to 3 years for each vintage
 - Lost revenues represent fixed costs not recovered due to reduced energy consumption
- Capped earnings
 - Avoided cost revenue requirements recovered are capped based on percentage of system target avoided cost savings
 - Maximum earnings allowed = 15% return on program costs

Cost Recovery Basics – Save-a-Watt Program

- SAW Program is divided into 4 vintage years: each vintage is a calendar year period in which customers enroll to participate in programs

Vintage 1 = 2010, Vintage 2 = 2011, Vintage 3 = 2012, Vintage 4 = 2013

- Annual rider effective for calendar year recovers estimated cost for each vintage and true up amounts collected for prior vintages that are completed.
 - Rider continues in 2014 and 2015 to collect full 3 years of lost revenues for Vintages 3 and 4
 - True ups reflect actual participation in programs and changes to load impacts resulting from application of data received from measurement and verification process.
 - Mid term (year 3) and final (year 6) true-ups incorporate earnings cap
- Rider exception: Vintage 0 cost recovery (for period June 2009 – January 2010 prior to approval of SAW) is netted against existing DSM over collection balance being returned to customers, rather than recovered through EE rider.

SC EE Rider 3 Specifics

- Expected filing date for Rider 3 – July 1, 2011
- Effective date for Rider 3 – January 1, 2012
- SAW components of Rider 3:
 - Vintage 3 (2013) estimated costs for EE programs and DSM programs, including year 1 of net lost revenues for Vintage 3
 - Year 2 of net lost revenues for Vintage 2 (2012)
 - True-up of Vintage 1 based on actual participation levels
 - Vintage 1 = February – December 2010
 - Does not include 3rd year of lost revenues for Vintage 1 since 2011 rate case will incorporate those impacts.
 - Mid term true-up to incorporation of any other potential adjustments that are applicable: application of M&V findings, avoided cost changes, earnings cap limitations, etc.
 - Existing DSM component

SC EE Rider 3 Specifics - continued

- Existing DSM component:
 - Estimated DSM program costs for calendar year 2013
 - True up of actual vs. estimated DSM program costs for calendar year 2010.
- Grandfathered IS and SG programs in North Carolina are a system DSM resource, benefitting all native load customers.



SAW Opt Out Revisions

At time of Rider 3 filing, Duke Energy Carolinas will propose revisions to opt out rules to allow additional flexibility for customers to opt in to DSM programs.

Qualifying manufacturing customers are eligible to opt out.

	Current Rules	Proposed Rules
EE programs	Annual election ¹	Annual election ¹
DSM programs	One time election in 2010	Annual election ²
Enrollment period – 60 days	January 1-March 1 of vintage year	November 1-December 31 prior to vintage year

¹ Customers participating in EE programs must pay all rider amounts associated with vintage in which they participate, including associated lost revenue amounts for 3 year period.

² Customers electing to participate in DSM programs must make 3 year commitment.



Retail Rate Cases: General Timing

State	Projected Filing Date	Projected Hearing Date	Projected Effective Date for New Rates
North Carolina	July 1	End of November	February 1, 2012
South Carolina	Late July	December	February 2012
	(subject to change)		

Rate Case Drivers for Carolinas Rate Cases

- Growth in rate base driven by significant capital additions
- Other Rate Base Additions and Reductions (ongoing T&D and non-major generation additions and additional accumulated depreciation and deferred income taxes)
- Financing cost recovery of construction work in progress
- Normal growth in O&M
- Lower sales volumes relative to 2008 test year in previous rate cases

Capital Additions in the Carolinas

Project	Projected In-Service Date	Projected Cost
Cliffside Unit 5 Scrubber	October 2010	\$500 M
Oconee High Energy Line Break Phase I	Mid 2011	\$100 M
Buck Combined Cycle (620 MW)	Late 2011	\$700 M
Bridgewater Powerhouse (8 MW)	Late 2011	\$180 M
Cliffside Unit 6 (825 MW)	Mid 2012	\$2.1 B
Catawba Wateree Relicensing	Late 2011	\$125 M
Oconee High Energy Line Break Phase II	Mid 2012	\$650 M
Dan River Combined Cycle (620 MW)	Late 2012	\$700 M