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November 15, 2019

**VIA ELECTRONIC FILING**

Ms. Kimberley A. Campbell  
Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4300

**RE: Duke Energy Carolinas, LLC's Dynamic Pricing Pilots Informational  
Filing  
Docket No. E-7, Sub 1146**

Dear Ms. Campbell:

On October 1, 2019, Duke Energy Carolinas, LLC (the "Company") implemented nine dynamic pricing pilots (the "Pilots") as approved by the Commission in connection with the referenced matter. I enclose for filing the attached report containing information that was previously requested by the Commission regarding implementation costs of the Pilots and the Company's plan to offer bill comparison information to participants, along with a status update on customer participation.

Thank you for your attention to this matter. If you have any questions, or the Commission desires additional information regarding the status of the pilots, please let me know

Sincerely,

A handwritten signature in black ink, appearing to read 'Lawrence B. Somers', written over the word 'Sincerely,'.

Lawrence B. Somers

Enclosure

cc: Parties of Record

OFFICIAL COPY

Nov 15 2019

## Duke Energy Carolinas

### Dynamic Price Rate Options | Acquisition Results, Cost Update, and Bill Comparison Information for CPP, TOU-CPP and TOUD-DPP Pilots

#### OVERVIEW

On September 30, 2019, Duke Energy Carolinas, LLC (“DEC” or the “Company”) filed its Dynamic Pricing Pilots Status and Marketing Information report with the Commission. On October 1, 2019, DEC implemented the nine dynamic rate pilots for residential and small business, as previously approved by the Commission. The Company provides the following information that was previously requested by the Commission regarding program implementation costs and the Company’s plan to offer bill comparison information to participants. As approved by the Commission, there are three distinct pilot rate designs for each rate class (RS, RE and SGS). These nine pilot rates are referenced below as RS-CPP, RS-TOU-CPP, RS-TOUD-DPP, RE-CPP, RE-TOU-CPP, RE-TOUD-DPP, SGS-CPP, SGS-TOU-CPP, and SGS-TOUD-DPP, as designated on tariff sheets previously filed with the Commission.

#### ACQUISITION RESULTS

Each individual pilot rate has a target of approximately 500 participants; however, additional participants are permitted to enroll to honor solicitation commitments. The following table summarizes the number of pilot participants through November 10, 2019. All residential pilots have met the acquisition targets and therefore have been closed to further enrollments. As expected based upon prior marketing efforts with small business customers, acquiring the target participation for small business customers has been challenging. DEC plans to discontinue further acquisition efforts for the small business pilots by Thanksgiving due to diminishing returns on further efforts the Company expects over the holiday season. As is discussed below, although DEC may not meet the acquisition targets for small business customers, the Company nonetheless expects to have enough participation to provide meaningful information to inform its rate design efforts.

| <u>Pilot Rate</u> | <u>Customers Enrolled</u> | <u>Customers Targeted</u> | <u>Enrollment Rate</u> |
|-------------------|---------------------------|---------------------------|------------------------|
| RS-CPP            | 573                       | 61,809                    | 0.9%                   |
| RE-CPP            | 570                       | 75,116                    | 0.8%                   |
| SGS-CPP           | 316                       | 34,225                    | 0.9%                   |
| RS-TOU-CPP        | 536                       | 86,690                    | 0.6%                   |
| RE-TOU-CPP        | 549                       | 91,320                    | 0.6%                   |
| SGS-TOU-CPP       | 115                       | 34,211                    | 0.3%                   |
| RS-TOUD-DPP       | 537                       | 91,699                    | 0.6%                   |
| RE-TOUD-DPP       | 539                       | 75,108                    | 0.7%                   |
| SGS-TOUD-DPP      | 70                        | 27,904                    | 0.3%                   |
| <b>TOTAL</b>      | <b>3,805</b>              | <b>578,082</b>            | <b>0.7%</b>            |

## PILOT COSTS

The pilots weren't implemented as a specific budgeted project; therefore, costs have been manually accumulated to provide the Commission with an approximate estimate of the cost to implement the new rate designs. Sources of cost related to the pilot include implementation labor costs, consulting/research fees, marketing costs, and evaluation, measurement and verification ("EM&V") costs. The table below shows the cost estimate as (1) actual expenditures through October 31, 2019 and (2) projected through December 31, 2020.

| Cost Category       | Actual through 10/31/19 | Projected through 12/31/20 |
|---------------------|-------------------------|----------------------------|
| Implementation      | \$147,220               | \$434,300                  |
| Consulting/Research | \$66,638                | \$136,638                  |
| Marketing           | \$50,157                | \$290,000                  |
| EM&V                | \$0                     | \$422,000                  |
| Total               | \$264,015               | \$1,282,938                |

One area for further detail is the acquisition costs for small business customers. As the Company has seen in the past, small business customers respond to Company promotions at lower acquisition rates when compared to residential customers. As a result, the Company decided to use outbound calling as a primary method to contact small business customers. The outbound calling cost estimate for SGS customers through October 31, 2019 is \$215/customer-enrolled. These charges have not yet booked and are only reflected in the projected column above. This is a much higher cost for customer enrollment than realized with residential acquisition, and the Company expects this cost to increase significantly as the holiday season approaches. The Company therefore will discontinue additional acquisition efforts before Thanksgiving. The Company nonetheless believes that the current level of participation by small business customers is sufficient to evaluate the future success of dynamic price rate designs for this customer class.

## BILL COMPARISONS

During its July 1, 2019 staff conference agenda meeting, the Commission requested that the Company consider offering a bill comparison to aid participants in understanding the value of reducing usage on critical peak days. Given the scope and time line of the pilot implementation, on-bill comparisons are not feasible. However, in response to the Commission's request, the Company has developed an independent estimation process to calculate the bill deviation between a pilot participant's current and previous rate for base rate components. This monthly savings estimate is being used to evaluate the on-going performance of each rate design and will be available to customers upon request. In addition, a cumulative savings estimate will be provided in writing to participants twice a year in the May/June 2020 period and in the November/December 2020 period. DEC believes that providing bill comparison information to participants too frequently during the pilot could have a negative impact on participation following a month with several critical peak days which in turn could reduce the value and applicability of the pilot EM&V effort. For the Commission's reference, the base rate component bill savings estimate for the 480 pilot participants that were active on the pilot rates with November bills available at the time of this filing are provided below. A positive amount in the Overall Savings column indicates net lower bills for the pilot participants. A negative amount indicates net higher bills for the pilot participants.

| <u>Pilot Rate</u> | <u>Bill Savers (#)</u> | <u>Bill Non-Savers (#)</u> | <u>Overall Savings (\$)</u> |
|-------------------|------------------------|----------------------------|-----------------------------|
| RS-CPP            | 63                     | 0                          | \$389.25                    |
| RE-CPP            | 83                     | 0                          | \$493.84                    |
| SGS-CPP           | 5                      | 0                          | \$87.27                     |
| RS-TOU-CPP        | 81                     | 1                          | \$382.65                    |
| RE-TOU-CPP        | 39                     | 2                          | \$178.82                    |
| SGS-TOU-CPP       | 8                      | 0                          | \$45.25                     |
| RS-TOUD-DPP       | 35                     | 86                         | (\$381.46)                  |
| RE-TOUD-DPP       | 24                     | 52                         | (\$196.48)                  |
| SGS-TOUD-DPP      | 1                      | 0                          | \$32.27                     |
| <b>TOTAL</b>      | <b>339</b>             | <b>141</b>                 | <b>\$1,031.41</b>           |

## SUMMARY

The pilot rates have been successfully implemented. All residential pilots are fully subscribed and small business pilots have sufficient participation to provide directional results. The Company will continue to meet with the Public Staff on the progress of the pilots, including information on the two recent peak pricing days implemented on November 13 and 14. As may be requested, the Company will also provide additional information to the Commission.

## CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Carolinas, LLC's Dynamic Pricing Pilots Informational Filing, in Docket No. E-7, Sub 1146, has been served by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid to the following parties:

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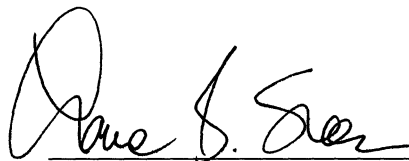
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This the 15<sup>th</sup> day of November, 2019.

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