



Progress Energy

October 20, 2011

FILED

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Clerk's Office
N.C. Utilities Commission

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

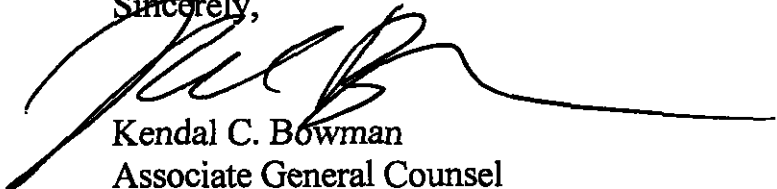
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RE: Docket No. E-2, Sub 1002

Dear Ms. Vance:

Please find attached for filing in the above-referenced docket the original, 30 copies and a diskette of the Joint Proposed Order of Progress Energy Carolinas, Inc. ("PEC") and the Public Staff. All parties of record have been served in accordance with the enclosed Certificate of Service.

Sincerely,


Kendal C. Bowman
Associate General Counsel
Progress Energy Carolinas, Inc.

KCB:mhm

Enclosures

cc: Parties of Record

STAREG1880

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

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**BEFORE THE
NORTH CAROLINA UTILITIES COMMISSION
RALEIGH**

FILED

OCT 20 2011

Clerk's Office
N.C. Utilities Commission

DOCKET NO. E-2, SUB 1002

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In the Matter of)	
)	
Application of Carolina Power & Light)	JOINT PROPOSED
Company, d/b/a Progress Energy Carolinas, Inc.)	ORDER OF
for Approval of DSM and Energy Efficiency)	PROGRESS ENERGY
Cost Recovery Rider Pursuant to G.S. 62-133.9)	CAROLINAS, INC. AND
and Commission Rule R8-69)	THE PUBLIC STAFF

HEARD: Tuesday, September 27, 2011, at 10:20 a.m. in the Commission Hearing Room, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Commissioner ToNola D. Brown-Bland, Presiding; Chairman Edward S. Finley, Jr.; Commissioner William T. Culpepper, III; Commissioner Lorinzo L. Joyner; Commissioner Bryan E. Beatty; Commissioner Susan W. Rabon; and Commissioner Lucy T. Allen

APPEARANCES:

For Progress Energy Carolinas, Inc.:

Kendal C. Bowman, Associate General Counsel, Progress Energy Carolinas, Inc., Post Office Box 1551, PEB 17B2, Raleigh, North Carolina 27602-1551

For the Using and Consuming Public:

David Drooz, Staff Attorney, Public Staff - North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-4326

BY THE COMMISSION: G.S. 62-133.9(d) authorizes the Commission to approve an annual rider to the rates of electric utilities to recover all reasonable and prudent costs incurred for the adoption and implementation of new demand-side management and energy efficiency ("DSM/EE") programs. The Commission is also authorized to award incentives to electric utilities for adopting and implementing new DSM/EE programs, including rewards based on the sharing of savings achieved by the programs. Commission Rule R8-69(b) provides that the Commission will each year conduct a proceeding for each electric utility to establish an annual DSM/EE rider to recover the reasonable and prudent costs incurred for adopting and implementing new DSM/EE measures previously approved by the Commission pursuant to Commission Rule R8-68. Under Rule R8-69, this rider consists of the utility's forecasted cost during the rate period, similarly forecasted performance incentives and net lost revenues as allowed by the Commission, and an experience modification factor ("EMF") rider to collect the difference between the utility's actual reasonable and prudent costs and incentives incurred and earned during the test period and the actual revenues realized during the test period under the DSM/EE rider (based on previous forecasts) then in effect.

Pursuant to G.S. 62-133.9 and Commission Rule R8-69, on June 3, 2011, Carolina Power & Light Company, d/b/a Progress Energy Carolinas, Inc. ("PEC" or "the Company"), filed an application and the associated testimony of Robert P. Evans and Julie Hans for the approval of a DSM/EE cost recovery rider to recover reasonable and prudent forecasted DSM/EE costs, carrying costs, incremental administrative and general ("A&G") costs, capital costs, taxes, net lost revenues, and an incentive. In addition, PEC asked for approval of an EMF rider and, pursuant to Commission Rule R8-69(b)(2), PEC also requested recovery through the EMF of its costs, including carrying costs and net lost revenues and an additional incentive, incurred up to 30 days prior to the hearing in this proceeding.

On June 8, 2011, the Commission issued an order scheduling a public hearing in this matter on September 27, 2011, immediately following the 9:30 a.m. hearing in NCUC Docket No. E-2, Sub 1001, establishing discovery guidelines, providing for intervention and testimony by other parties, and requiring public notice. PEC subsequently provided notice in newspapers of general circulation, as required by the order.

The intervention of the Public Staff is recognized pursuant to G.S. 62-15(d) and Commission Rule R1-19(e). On July 11, 2011, the Carolina Utility

Customers Association, Inc. ("CUCA") filed a petition to intervene, which was allowed July 20, 2011. On September 6, 2011, the Southern Alliance for Clean Energy filed a Statement of Position Letter.

On August 23, 2011, PEC filed the supplemental direct testimony and exhibits of witness Evans. On September 2, 2011, the Public Staff filed motions for an extension of time to file its direct testimony. By order issued September 6, 2011, the Commission granted the Public Staff's motion. On September 9, 2011, the Public Staff filed the affidavits of Michael C. Maness and Jack L. Floyd.

The case came on for hearing as scheduled on September 27, 2011. The Applicants and the Public Staff moved to excuse all witnesses from appearing at the hearing and to allow the introduction of all prefiled testimony, exhibits and affidavits into the record. In support of this motion, PEC stated that the only intervenor other than the Public Staff was not planning to attend the hearing. The Commission accepted this motion and based on the parties' stipulation, the pre-filed testimony and exhibits of PEC witnesses Evans and Hans were received into evidence as if given orally, and the affidavits of Michael C. Maness and Jack L. Floyd were received into evidence as if given orally. No public witnesses appeared at the hearing. On October 20, 2011, the parties filed briefs and proposed orders.

Based upon PEC's verified application, the affidavits, testimony, and exhibits received into evidence at the hearing, and the record as a whole, the Commission makes the following

FINDINGS OF FACT

1. PEC is a duly organized corporation existing under the laws of the State of North Carolina and is engaged in the business of developing, generating, transmitting, distributing, and selling electric power to the public in North and South Carolina, and is subject to the jurisdiction of the North Carolina Utilities Commission ("NCUC") as a public utility. PEC is lawfully before this Commission based upon its application filed pursuant to G.S. 62-133.9 and Commission Rule R8-69.

2. The test period for purposes of this proceeding is the 12-month period, April 1, 2010, through March 31, 2011.

3. The rate period for the purposes of this proceeding is the 12-month period, December 1, 2011, through November 30, 2012.

4. Pursuant to Commission Rule R8-69(b)(2), PEC is permitted to include in its EMF its over- or under-recovery of DSM/EE costs, including net lost revenues and an additional incentive, experienced up to 30 days prior to the hearing. In this proceeding, such period is referred to as the prospective period, and is April 1, 2011, through July 31, 2011.

5. For purposes of this proceeding, PEC has requested the recovery of costs and incentives, where applicable, related to the following DSM/EE programs: Distribution System Demand Response ("DSDR"); EnergyWise™; Commercial, Industrial, and Governmental ("CIG") Demand Response; Residential Home Advantage; Residential Home Energy Improvement; Residential Low Income-NES; CIG EE; Residential Lighting; Residential Energy Efficiency Benchmarking Program; Residential Appliance Recycling; Residential Solar Water Heater Pilot; and Compact Fluorescent Light ("CFL") Pilot.

6. PEC also requested recovery of incremental Administrative and General ("A&G") expenses not directly related to specific DSM or EE programs. The incremental costs are \$2,116,426 for the test period, \$670,307 for the prospective period, and \$2,320,405 for the rate period. Additionally, as requested by the Commission in its November 25, 2009, Order in Docket No. E-2, Sub 951 ("Sub 951 Order"), PEC has provided data regarding the reach and extent of its general DSM/EE education and awareness ("GEA") initiatives. It is appropriate for PEC to recover these incremental A&G costs, subject to further review to the extent allowed in the Stipulation and Mechanism.

7. PEC provided the Commission with information it requested in its November 17, 2010, Order in Docket No. E-2, Sub 977 regarding the appropriateness of incorporating GEA costs and (and associated A&G costs) into the cost-effectiveness tests and evaluations of PEC's currently approved programs and all future programs. It is appropriate for the impact of indirect GEA and other indirect A&G costs to be taken into account when calculating the cost-effectiveness of PEC's DSM/EE portfolio, as opposed to being employed when calculating the cost-effectiveness of individual programs.

8. PEC requested the recovery of net lost revenues and program incentives in the amount of \$7,123,294 for the test period, \$3,057,357 for the prospective period, and \$19,294,870 for the rate period. PEC's proposed recovery

of net lost revenues and program incentives are consistent with the Commission's June 15, 2009, Order in Docket No. E-2, Sub 931 ("Sub 931 Order"), as modified by the Commission's November 25, 2009, Order Granting Motions for Reconsideration in Part, in the same docket, and are appropriate for recovery in this proceeding, subject to further review to the extent allowed in the Stipulation and Mechanism.

9. For purposes of its DSM/EE EMF rider, PEC's reasonable and prudent North Carolina retail test year amounts, consisting of its amortized DSM/EE operations and maintenance ("O&M") costs, capital costs, taxes, amortized incremental A&G costs, carrying charges, net lost revenues, and program incentives, are \$31,416,882. Subject to review in PEC's next annual DSM/EE rider proceeding, PEC's North Carolina retail DSM/EE program amounts for the prospective period, consisting of its amortized O&M costs, capital costs, taxes, amortized incremental A&G costs, carrying charges, and net lost revenues, are \$11,607,966. The sum of these figures has been reduced by \$6,047,851, the revenue requirement for the period April 1, 2010, to July 31, 2010, to avoid double counting amounts recognized in Docket No. E-2, Sub 977. Therefore, \$36,976,997 is the appropriate amount to use to develop the DSM/EE EMF revenue requirement. For purposes of the DSM/EE rider to be set in this proceeding and subject to review in PEC's future DSM/EE rider proceedings, PEC's reasonable and appropriate estimate of its North Carolina retail DSM/EE program rate period amounts, consisting of its amortized O&M costs, capital costs, taxes, amortized incremental A&G costs, carrying charges, net lost revenues, and program incentives is \$65,354,771, and this is the appropriate amount to use to develop the forward-looking DSM/EE revenue requirement.

10. The appropriate EMFs for the Residential and General Service rate classes, excluding gross receipts tax ("GRT") and the North Carolina regulatory fee ("NCRF") are increments of 0.006 cents per kilowatt-hour (kWh) and 0.001 cents per kWh, respectively. The appropriate EMF for the Lighting rate class, excluding GRT and the NCRF is a decrement of 0.009 cents per kWh. The EMFs including GRT and the NCRF are, for the Residential and General Service rate classes, increments of 0.006 cents per kWh and 0.001 cents per kWh, respectively, and, for the Lighting rate class, a decrement of 0.009 cents per kWh.

11. The appropriate forward-looking DSM/EE rates to be charged by PEC during the rate period for the Residential, General Service, and Lighting rate schedules, excluding GRT and the NCRF, are increments of 0.290 cents per kWh, 0.185 cents per kWh, and 0.094 cents per kWh, respectively. Including GRT and

the NCRF, the forward-looking rates for the Residential, General Service, and Lighting rate schedules are increments of 0.300 cents per kWh, 0.191 cents per kWh, and 0.097 cents per kWh, respectively.

12. While the initial EM&V analyses and reports prepared by PEC are adequate, refinements and improvements are appropriate for future reports.

13. PEC's requested true-up of its Residential Home Energy Improvement Program for vintage 2009 activities properly recognizes the program's independent M&V results for that period and is in compliance with the governing provisions contained in the Commission's Sub 931 Order.^[MCM1]

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-4

These findings of fact are essentially informational, procedural, and jurisdictional in nature and are uncontroverted. The rate period, test period, and prospective period proposed by PEC are supported by the Public Staff and are consistent with Commission Rule R8-69.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 5

The evidence for this finding of fact can be found in PEC's application, the testimony and exhibits of PEC witness Evans, the affidavit of Public Staff witness Floyd, and various Commission orders.

In PEC witness Evans' direct testimony filed on June 3, 2011, witness Evans states that PEC is requesting the recovery of costs associated with the following DSM/EE programs: DSDR; EnergyWise™; CIG Demand Response; Residential Home Advantage; Residential Home Energy Improvement; Residential Low Income-NES; CIG Energy Efficiency; Residential Lighting; Residential Energy Efficiency Benchmarking Program; Residential Appliance Recycling; Residential Solar Water Heater Pilot; and CFL Pilot. Witness Evans further states that PEC is not requesting net lost revenues for its Residential Solar Water Heater Pilot program and that net lost revenue for event driven measures has only been requested in association with actual deployments.

In his affidavit, Public Staff witness Floyd also lists the DSM/EE programs for which PEC seeks a cost recovery rider and notes that each of these programs has previously received Commission approval as a new DSM or EE program and is eligible for cost recovery in this proceeding under G.S. 62-133.9.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 6

The evidence for this finding of fact can be found in PEC's application, the testimony of PEC witness Hans, the testimony and exhibits of PEC witness Evans, and the affidavit of Public Staff witness Floyd.

In PEC witness Hans' direct testimony filed on June 3, 2011, witness Hans states that during the test period, PEC's general education and awareness expenses decreased 12.3 percent from the prior test period, and that during this test period PEC implemented new tactics for reaching customers, including online advertising and social media outreach. PEC created a Twitter profile called "Energy Advisors" to help educate customers about energy efficiency and the programs available for customers. Over 220 tweets have been sent out with almost 500 followers ranging from customers to industry experts. PEC also published General Awareness Advertising in 14 different publications in PEC's service territory. PEC also offers a free Customized Home Energy Report ("CHER") tool to help customers identify home energy improvements and other actions that can be taken to save money on electric bills. More than 837,000 customers received a bill insert from PEC directing them to visit the CHER website and to complete the survey. As of March 2011, more than 21,000 customers had completed the CHER questionnaire and were provided information on specific programs and rebates. Additionally, witness Hans explained that PEC's Save the Watts website received more than 200,000 first time and repeat visits during the test year. PEC representatives also attended 28 community events across PEC's service territory to educate customers about PEC's EE programs and to share energy savings tips. More than 5,000 fliers containing low-cost/no-cost solutions and materials associated with energy efficiency rebate programs were distributed at these events.

PEC witness Evans states in his direct testimony filed on June 3, 2011, that the common A&G costs associated with the programs provide a system benefit in support of both EE and DSM programs. Since A&G costs relate to both EE and DSM, A&G amounts are included in both categories. The division of these costs into either the EE or DSM category is based upon the percentage of each type of expenditure anticipated during the next forecast calendar year. For example, if 30% of these costs in the forecast period are EE-related, then 30% of the A&G costs will be considered as EE-related costs for allocation purposes. The use of a forecast period recognizes the types of new programs PEC will offer in the immediate future that will be supported by these administrative costs. The assignment of A&G costs as either EE or DSM-related is reviewed annually each

May based upon forecasted costs for the next calendar year. The A&G costs in this proceeding have been assigned to these categories based upon forecasted DSM and EE costs for 2012. PEC witness Evans further states in his direct testimony that due to its scope and nature, DSDR costs, including A&G, are being tracked separately. PEC's incremental A&G costs were provided on PEC witness Evans' Exhibit 1. The incremental A&G costs are \$2,116,426 for the test period, \$670,307 for the prospective period, and \$2,320,405 for the rate period.

The incremental general education and awareness costs, which are a part of the aforementioned A&G costs, were identified on page 5 of PEC witness Evans' Direct Testimony. These costs are \$728,976 for the test period, \$324,514 for the prospective period, and \$808,451 for the rate period.

Public Staff witness Floyd stated in his affidavit that PEC's expenditures for its General Education and Awareness (GEA) initiatives were reasonable. Witness Floyd recommended that PEC continue to provide a list of GEA initiatives and the volume of activity associated with each during the test year in future DSM/EE rider proceedings. He also recommended that PEC be required to investigate the feasibility and cost of conducting a market survey to assess the effectiveness of PEC's GEA activities in terms of market transformation instead of program impact.

No party opposed the GEA expenditures described in witness Floyd's affidavit and PEC's testimony. The Commission finds and concludes that the expenditures are reasonable and prudent. The Commission further concludes that PEC should continue to provide a list of GEA initiatives and the volume of activity associated with each during the test year in future DSM/EE rider proceedings and investigate the feasibility and cost of conducting a market survey to assess the effectiveness of PEC's GEA activities as soon as practicable.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 7

The evidence for this finding of fact can be found in the testimony of PEC witness Evans and the affidavit of Public Staff witness Floyd.

In PEC witness Evans' direct testimony filed on June 3, 2011, witness Evans states that indirect GEA costs and A&G costs primarily represent common or shared costs that cannot be directly assigned to an individual program, and that these costs support all programs and offerings and only exist at the portfolio level.

Given this, and other rationale, witness Evans indicated that these costs should be accounted for at the portfolio level.

Public Staff witness Floyd concurred with witness Evans regarding the use of indirect costs for calculation of program cost-effectiveness. Witness Floyd stated that if a portion of indirect costs were allocated to a particular program, those costs might have no relation to or bearing on the actual cost-effectiveness of the program and yet would lower the result of the cost-effectiveness calculation.

Based on the testimony of PEC witness Evans and affidavit of Public Staff witness Floyd, it is appropriate for PEC to continue to consider the impact of indirect GEA and other indirect A&G costs on the cost-effectiveness of PEC's DSM and EE programs at the portfolio level. PEC will not be required to recognize indirect costs, in its determination of the cost-effectiveness of individual programs.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 8-11

The evidence for these findings can be found in the testimony and exhibits of PEC witness Evans and the affidavits of Public Staff witnesses Floyd and Maness.

In PEC witness Evans' supplemental direct testimony and exhibits filed on August 23, 2011, he calculates PEC's North Carolina retail test period DSM/EE net lost revenues and program incentives as \$7,123,294. He calculates PEC's North Carolina retail prospective period DSM/EE net lost revenues and program incentives (net of the prior prospective period total) as \$3,057,357. He also calculates PEC's North Carolina retail rate period DSM/EE net lost revenues and program incentives as \$19,294,870.

PEC witness Evans also calculates PEC's North Carolina retail test year amounts, consisting of its amortized DSM/EE O&M costs, capital costs, taxes, amortized incremental A&G costs, carrying charges, net lost revenues, and program incentives to be \$31,416,882. For the prospective period, witness Evans calculates the total to be \$11,607,966. The sum of these figures has been reduced by \$6,047,851, the revenue requirement for the period April 1, 2010, to July 31, 2010, to avoid double counting amounts, as provided by the Sub 977 Order. Therefore, witness Evans states that \$36,976,997 is appropriate to use to develop the DSM/EE EMF revenue requirement. Witness Evans also calculates PEC's estimate of its North Carolina retail DSM/EE program rate period amounts,

consisting of its amortized O&M costs, amortized incremental A&G costs, carrying charges, net lost revenues, and program incentives, as \$65,354,771.

In PEC witness Evans' supplemental direct testimony filed on August 23, 2011, he calculates the EMFs for Residential and General Service rate classes for the rate period to be increments of 0.006 cents per kWh and 0.001 cents per kWh, respectively, and a decrement of 0.009 cents per kWh for the Lighting rate class, excluding GRT and the NCRF. Including GRT and the NCRF, he calculates these EMFs to be increments of 0.006 cents per kWh and 0.001 cents per kWh, respectively, for the Residential and General Service rate classes, and a decrement of 0.009 cents per kWh for the Lighting rate class. He also calculates the forward-looking DSM/EE rates for the Residential, General Service, and Lighting rate classes for the rate period to be increments of 0.290 cents per kWh, 0.185 cents per kWh, and 0.094 cents per kWh, respectively, excluding GRT and the NCRF, and 0.300 cents per kWh, 0.191 cents per kWh, and 0.097 cents per kWh, including GRT and the NCRF.

Public Staff witness Maness states that the method by which PEC has calculated its proposed rates in this proceeding is the Cost Recovery and Incentive Mechanism for Demand-Side Management and Energy Efficiency Programs (Mechanism), approved by the Commission in the Sub 931 Order, and modified by the Commission's November 25, 2009, Order Granting Motions for Reconsideration in Part, in the same docket.

Mr. Maness indicated that the focus of the Public Staff's investigation of PEC's filing in this proceeding was whether the proposed DSM/EE riders were calculated in accordance with the Mechanism, and otherwise adhered to sound ratemaking concepts and principles. The Public Staff's investigation included a review of the Company's filing and relevant prior Commission proceedings and orders, and the selection and review of a sample of source documentation for test year costs included by the Company for recovery. The investigation, including the Public Staff's sampling procedure, was concentrated primarily on costs and incentives related to the April 2010 – March 2011 test period, which are to be included in the DSM/EE EMF riders approved in this proceeding, with a more general review of the estimated costs and incentives included in the rate period (December 2011 – November 2012) component of the Riders. Actual costs and incentives applicable to the rate period, as well as costs and incentives applicable to the April-July 2011 "prospective" period, which are also included in the DSM/EE EMF riders, will be subject to detailed review in future DSM/EE cost recovery proceedings.

Public Staff witness Maness states that his investigation of PEC's filing indicates that the Company generally has calculated the proposed Riders in accordance with the methods set forth in the approved Mechanism for recovery of costs, net lost revenues, and the PPI.

Public Staff witness Floyd also reviewed PEC's calculations of the DSM/EE and DSM/EE EMF riders for each customer class. Witness Floyd states that based on his review of the initial program approval filings and the previous DSM/EE cost recovery proceedings, the program costs included in the prospective rate periods appear to be reasonable and appropriate. These costs will continue to be reviewed under future DSM/EE rider proceedings for both reasonableness and prudence and ultimately will be trued-up using the actual energy and capacity savings determined by the measurement and verification process.

The Commission notes that no party opposed PEC's proposed recovery of net lost revenues and program incentives. The Commission finds that such proposed recovery is consistent with the Commission's Sub 931 Order, as modified by the Commission's November 25, 2009, Order Granting Motions for Reconsideration in Part, in the same docket, and that net lost revenues and program incentives are appropriate for recovery in this proceeding, with the prospective and rate period costs subject to further review in PEC's future annual DSM/EE rider proceedings. The Commission concludes that PEC has complied with G.S. 62-133.9, Commission Rule R8-69, and the Sub 931 Order, as modified by the Commission's November 25, 2009, Order Granting Motions for Reconsideration in Part, in the same docket, with regard to calculating costs and incentives for the test, prospective, and rate periods at issue in this proceeding.

Therefore, the Commission concludes that for the purposes of the DSM/EE EMF rider to be set in this proceeding, PEC's reasonable and prudent North Carolina retail test year amounts, consisting of its amortized DSM/EE O&M costs, capital costs, taxes, amortized incremental A&G costs, carrying charges, net lost revenues, and program incentives, are \$31,416,882. The Commission further concludes that subject to review in PEC's next annual DSM/EE rider proceeding, PEC's North Carolina retail DSM/EE program amounts for the prospective period, consisting of its amortized O&M costs, capital costs, taxes, amortized incremental A&G costs, carrying charges, and net lost revenues, are \$11,607,966. The sum of these figures has been reduced by \$6,047,851, the revenue requirement for the period April 1, 2010, to July 31, 2010, to avoid double counting amounts recognized in Docket No. E-2, Sub 977. Therefore, the Commission finds that

\$36,976,997 is appropriate to use to develop the DSM/EE EMF revenue requirement. For purposes of the DSM/EE rider to be set in this proceeding and subject to review in PEC's future DSM/EE rider proceedings, the Commission concludes that PEC's reasonable and appropriate estimate of its North Carolina retail DSM/EE program rate period amounts, consisting of its amortized O&M costs, capital costs, taxes, amortized incremental A&G costs, carrying charges, net lost revenues, and program incentives is \$65,354,771, and this is the appropriate amount to use to develop the DSM/EE revenue requirement.

Based on the testimony of witness Evans, the affidavit of witness Maness, and the entire record in this proceeding, the Commission finds and concludes that the EMFs as proposed by PEC in the August 23, 2011, supplemental direct testimony of PEC witness Evans for the Residential, General Service, and Lighting rate classes are appropriate. The Commission further concludes that the forward-looking DSM/EE rates proposed by PEC in the August 23, 2011, supplemental direct testimony of PEC witness Evans to be charged during the rate period for the Residential, General Service, and Lighting rate schedules are appropriate.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NO. 12

The evidence for this finding of fact can be found in Public Staff witness Floyd's affidavit.

Public Staff witness Floyd recommends that future EM&V analyses should incorporate more detail, as appropriate for the measure being analyzed, especially regarding: net-to-gross savings; using PEC service area specific climate data, where available; the establishment of more accurate baselines, where realistically and cost-effectively achievable; and the inclusion of a larger sample size for the duct sealing and attic insulation measures in the RHEIP analysis. No party indicated that it disagreed with the Public Staff's recommendations. Public Staff witness Floyd also recommends that PEC be required to file a more detailed EM&V schedule.

The Commission agrees that PEC should incorporate more detail, as described by Mr. Floyd, in its future EM&V analyses. The Commission finds that PEC should file its EM&V schedule, including identification of major mileposts such as the schedule for completing the initial sample design; the schedule for completing the process and impact evaluations; and the date for the completion of the EM&V report for each DSM/EE program. The Commission expects PEC and

the Public Staff to collaborate on the definition of major mileposts that should be included in the EM&V schedule.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 13

The evidence for this finding of fact can be found in the affidavits of Public Staff witness Maness and Public Staff witness Floyd.

Public Staff witness Maness stated that in this proceeding, PEC had adjusted its proposed PPI incentives to reflect the results of a recently completed M&V analysis of its Residential Home Energy Improvement Program (RHEIP) for the 2009 vintage year, and that Public Staff witness Floyd addressed this analysis in his affidavit. (The Commission's findings with regard to Public Staff witness Floyd's review are set forth in the Evidence and Conclusions for Finding of Fact No. 12.) With respect to PEC's M&V based true-up adjustment, Mr. Maness stated that based on his review, the adjustment to the PPI amount had been made in a reasonable manner and that the analogous adjustments to the net lost revenue calculations also appear to have been pursued in a reasonable manner. Mr. Maness also noted that all of the NLR and PPI incentive amounts included in the riders approved in this proceeding (with the exception of those trued up in this proceeding related to the 2009 Vintage Year RHEIP), including those within the EMF riders, remain subject to true-up in future proceedings.

The Commission concludes that PEC's requested true-up of its Residential Home Energy Improvement Program for vintage 2009 activities is in compliance with the governing provisions contained in the Commission's Sub 931 Order.

IT IS, THEREFORE ORDERED, as follows:

1. That the appropriate EMFs, excluding gross receipts tax and the North Carolina regulatory fee, for the Residential and General Service rate classes are increments of 0.006 cents per kWh and 0.001 cents per kWh, respectively, and a decrement of 0.009 cents per kWh for the Lighting rate class. Including gross receipts tax and the North Carolina regulatory fee, these EMFs are increments of 0.006 cents per kWh and 0.001 cents per kWh, respectively, for the Residential and General Service rate classes, and a decrement of 0.009 cents per kWh for the Lighting rate class.

2. That the appropriate DSM/EE rates to be charged by PEC during the rate period for the Residential, General Service, and Lighting rate classes are

increments of 0.290 cents per kWh, 0.185 cents per kWh, and 0.094 cents per kWh, respectively, excluding gross receipts tax and the North Carolina regulatory fee. Including gross receipts tax and the North Carolina regulatory fee, the rates for the Residential, General Service, and Lighting rate classes are increments of 0.300 cents per kWh, 0.191 cents per kWh, and 0.097 cents per kWh, respectively.

3. That the appropriate total DSM/EE annual riders including PEC's proposed EMF for the Residential, General Service, and Lighting rate classes are increments of 0.296 cents per kWh, 0.186 cents per kWh, and 0.085 cents per kWh, respectively, excluding gross receipts tax and the North Carolina regulatory fee. Including gross receipts tax and the North Carolina regulatory fee, the total riders for the Residential, General Service, and Lighting rate classes are increments of 0.306 cents per kWh, 0.192 cents per kWh, and 0.088 cents per kWh, respectively.

4. That PEC shall file within five days of the date of this Order, appropriate rate schedules and riders with the Commission in order to implement these adjustments. Such rates are to be effective for service rendered on or after December 1, 2011.

5. That PEC shall continue to provide a list of GEA initiatives and the volume of activity associated with each during the test year in future DSM/EE rider proceedings, and that PEC and the Public Staff should jointly investigate the feasibility and cost of conducting a market survey to assess the effectiveness of PEC's GEA activities.

6. That PEC shall consult with the Public Staff and agree upon enhancements to be implemented to incorporate more detail into EM&V reports, as discussed herein.

7. That PEC and the Public Staff shall agree upon the major milestones to be incorporated into PEC's EM&V schedule, and that PEC shall file such an EM&V schedule with the Commission within sixty days of this Order.

ISSUED BY ORDER OF THE COMMISSION

This the ____ day of _____, 2011.

NORTH CAROLINA UTILITIES COMMISSION

**BEFORE THE
NORTH CAROLINA UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-2, SUB 1002

In the Matter of

Application of Carolina Power & Light Company, d/b/a
Progress Energy Carolinas, Inc. for Approval of DSM
and Energy Efficiency Cost Recovery Rider Pursuant to
G.S. 62-133.9 and Commission Rule R8-69

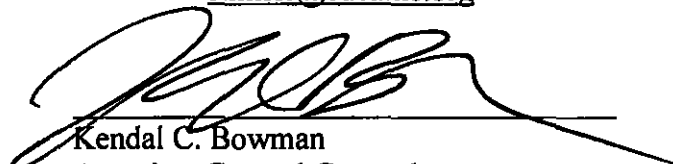
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CERTIFICATE OF SERVICE

I, Kendal C. Bowman, hereby certify that the Proposed Order of Progress Energy Carolinas, Inc. has been served on all parties of record either by e-mail, hand delivery or by depositing said copy in the United States mail, postage prepaid, addressed as follows, this the 20th day of October, 2011:

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Kendal C. Bowman
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