**STATE OF NORTH CAROLINA**
**UTILITIES COMMISSION**
**RALEIGH**

DOCKET NO. E-2, SUB 926
DOCKET NO. E-2, SUB 931
DOCKET NO. E-2, SUB 1002

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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| DOCKET NO. E-2, SUB 926<br><br>In the Matter of<br>Petition of Progress Energy Carolinas, Inc., for Approval of Distribution System Demand Response Program<br><br>DOCKET NO. E-2, SUB 931<br><br>In the Matter of<br>Application by 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<br><br>DOCKET NO. E-2, SUB 1002<br><br>In the Matter of<br>Application by 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 | ) | ORDER REQUIRING REVISED ANNUAL REPORT AND REVISED M&V SCHEDULE |

BY THE COMMISSION: By Orders dated June 15, 2009, and November 25, 2009, in Docket No. E-2, Subs 926 and 931, the Commission approved the distribution system demand response (DSDR) program as a new energy efficiency (EE) program of Progress Energy Carolinas, Inc. (Progress), and established, subject to certain restrictions, that the DSDR program is eligible to earn a net lost revenues incentive. Page 2 of Appendix A of the Commission's June 15, 2009 Order in Docket No. E-2, Sub 931, defines net lost revenues, in part, as:

> …a payment to PEC [Progress] based on its revenue losses, net of marginal costs avoided at the time of the lost kilowatt-hour sale(s), or in the case of purchased power, in the applicable billing period, incurred by PEC's public utility operations as the result of a new DSM or EE measure. …

Page 5 of the same Order states that:

> Net Lost Revenues resulting from an approved measurement unit installed in a given vintage year shall be recovered through the DSM/EE and DSM/EE EMF riders only for the first 36 months after the installation of the measurement unit. Thereafter, recovery of Net Lost Revenues shall end.

In its June 15, 2009 Order in Docket No. E-2, Sub 926, the Commission required Progress to work with the Public Staff to develop an annual report for the DSDR program that would provide key operating data from its measurement and verification (M&V) plan. Progress filed annual reports on November 30, 2009, 2010, and 2011. All three of these reports describe Progress's planned M&V activities in terms of capacity savings, rather than energy savings. For example, the 2011 report states as follows:

> PEC has established a standard, statistical-based test methodology that can accurately demonstrate the dependability of DSDR as a peak load reduction tool. Testing of the methodology has successfully confirmed the magnitude of peak demand reduction achieved by voltage reduction, as well as its sustainability over a 6 hour period. … The 2011 voltage reduction testing demonstrated an annual increase in peak demand reduction of 8 MW, which resulted from the completion of additional Feeder Conditioning, Grid System Design, and Telecom work. The cumulative reduction in electrical losses … was … determined to be approximately 5 MW. … Based upon testing results to-date, the estimated total peak demand reduction capability of DSDR, when fully operational, is 241 MW…

For a variety of reasons the Commission finds that Progress's annual reports regarding its DSDR program are not adequate. Specifically, Progress's DSDR annual reports do not explain: (1) how energy (MWh) savings will be calculated for the DSDR program; (2) whether and how both energy (MWh) and demand (MW) savings will be used to calculate net lost revenues; and (3) how the concepts of "measurement unit" and "vintage year" will apply to the calculation of net lost revenues for the DSDR program. Given that this program is intended to reduce customer loads at times of peak demand, when electricity production costs are especially high, the Commission seeks clarification as to whether Progress will actually experience any net revenue loss attributable to DSDR. It is unclear from the most recent annual report whether DSDR will be available to reduce the Company's capacity and energy needs during the upcoming summer. Finally, the Commission notes that the Company's

January 31, 2012 M&V Schedule filed in Docket No. E-2, Sub 1002, does not include the DSDR program.

Therefore, the Commission finds good cause to require Progress to work with the Public Staff to develop and file a revised 2011 DSDR annual report that proposes solutions to the issues listed above. The revised annual report should include the Company's best estimate as to the expected in-service date for DSDR.

IT IS, THEREFORE, SO ORDERED that:

1. Progress shall work with the Public Staff to develop a revised DSDR annual report and file the report by April 2, 2012; and

2. Progress shall amend its M&V Schedule to include DSDR and file it by April 2, 2012.

ISSUED BY ORDER OF THE COMMISSION.

This the 27th day of February, 2012.

NORTH CAROLINA UTILTIES COMMISSION

Gail L. Mount

Gail L. Mount, Deputy Clerk

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