

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-2, SUB 936

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Request by Carolina Power & Light Company,)
d/b/a Progress Energy Carolinas, Inc., for) ORDER APPROVING
Approval of Residential Home Energy) PROGRAM REVISIONS
Improvement Program)

BY THE COMMISSION: On November 1, 2011, Progress Energy Carolinas, Inc. (PEC), filed a request seeking approval to revise its Residential Home Energy Improvement Program (HEIP Program or Program). PEC filed its request to revise the Program pursuant to Commission Rule R8-68 and the Cost Recovery and Incentive Mechanism for Demand-side Management and Energy Efficiency Programs (Mechanism) approved by the Commission on June 15, 2009, in Docket No. E-2, Sub 931.

The Program was originally approved by the Commission on April 30, 2009, as an energy efficiency (EE) program under G.S. 62-133.9 and Commission Rule R8-68, and included a variety of energy conservation measures (ECMs) designed to improve the energy efficiency of existing residential dwellings. The ECMs included duct testing and repairs; attic insulation and air sealing; a tune-up of the customer's heating, ventilation, and air conditioning (HVAC) system; a second, more extensive HVAC maintenance package; replacement of existing heat pumps with more efficient systems; and window replacement. Participants receive a monetary incentive for each ECM installed. Participation in the Program is available to all customers who own or rent an existing residential dwelling.

PEC stated that its proposal to revise the Program will: (1) remove the HVAC Level 1 tune-up, window replacement, and duct testing ECMs; (2) increase the monetary incentives for the attic insulation and air sealing ECMs; (3) add two new ECMs for high efficiency room air conditioning units and heat pump water heaters; and (4) clarify the assignment of environmental attributes resulting from EE savings realized by the Program.

In support of its request, PEC stated that the revisions to the Program are largely due to the information and recommendations contained in the evaluation, measurement and verification (EM&V) report, titled "2009 EM&V Report for the Home Energy Improvement Program – Final Report" (HEIP EM&V Report), filed May 3, 2011. The HEIP EM&V Report covered an assessment of activities associated with the Program during 2009.

PEC further stated that for any customer eligible for an incentive for the eliminated ECMs, incentives will remain available for installations completed within 30 days after the effective date of cancellation.

PEC also stated in its request that it would revise the eligibility requirements to allow customers who had received incentives from the Residential Home Advantage program (RHAP) to also be eligible for incentives from the HEIP Program for similar ECMs. As originally approved, the Program prohibited incentives being paid for ECMs similar to those for which incentives were paid through the RHAP. The RHAP was designed to encourage new home construction to incorporate high energy efficient measures above those used in standard construction, for both building envelope measures and HVAC equipment. PEC's revision to the eligibility requirements for the HEIP Program will allow customers who have a home that is at least one year old to be eligible for incentives under the Program, even if incentives were received for ECMs included in the RHAP. In a separate proceeding, PEC has requested approval to cancel the RHAP after evaluation of the RHAP has indicated that the program is no longer cost effective.

PEC also requested approval to continue recovering net lost revenues and a program performance incentive (PPI) for the revised Program pursuant to the Mechanism.

PEC's proposed revised tariff also included a new section providing that incentives and other consideration offered under the Program are an essential element in the recipient's decision to participate in the Program, and that upon receipt of any such consideration, PEC will be entitled to any and all environmental, energy efficiency, and demand reduction benefits and attributes associated with participation in the Program.

The Public Staff presented this matter to the Commission at its Regular Staff Conference on January 30, 2012. The Public Staff stated that it had reviewed PEC's revisions of the Program and calculations of cost effectiveness for the revised Program using the four standard cost effectiveness tests, and that the results of its review indicated the revisions to the Program improved the Program's cost effectiveness.

The Public Staff also stated that it reviewed the HEIP EM&V Report and provided comments thereon in the Affidavit of Jack Floyd filed September 9, 2011, in Docket No. E-2, Sub 1002. With the exception of the environmental attributes, the Public Staff indicated that the recommendations concerning verified unit savings contained in the HEIP EM&V Report served as the basis for these revisions to the Program.

The Public Staff further stated that it believed PEC's request contained the information required by Commission Rule R8-68(c), and the revised Program should be eligible for cost recovery, including net lost revenues and a PPI pursuant to the Mechanism, and should be approved with one modification.

The Public Staff recommended that PEC allow customers 60 days to complete installations of these canceled measures and request incentives pursuant to the Program as currently approved. The Public Staff indicated that PEC did not object to this extension of time.

Based on the foregoing, the Commission is of the opinion that PEC's request to revise the Program is reasonable and should be approved as recommended by the Public Staff.

IT IS, THEREFORE, ORDERED as follows:

1. That the revisions to the Residential Home Energy Improvement Program are hereby approved as filed, with the exception that PEC shall allow customers 60 days following the date of this order to submit applications for Program rebates associated with ECMs that are canceled as a result of this Order.

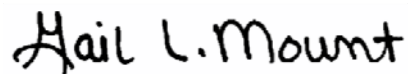
2. That PEC shall continue to conduct EM&V activities associated with all measurement units associated with ECMs that are canceled as a result of this Order, over the life of those measurement units.

3. That the Residential Home Energy Improvement program tariff (attached to the application) shall be revised to allow customers 60 days to submit applications for Program rebates associated with the window replacement measure, HVAC Level 1 tune up, and duct testing ECMs, and to file a revised tariff within 10 days following the date of this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the 31st day of January, 2012.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Gail L. Mount". The signature is written in a cursive, slightly stylized font.

Gail L. Mount, Deputy Clerk