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February 6, 2012

**OFFICIAL COPY**

Gail L. Mount  
Deputy Clerk  
Office of the Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, NC 27699-4325

**FILED**

**FEB 06 2012**

Clerk's Office  
N.C. Utilities Commission

RE: Docket No. E-7, Sub 831

Dear Mrs. Mount:

Pursuant to Ordering Paragraph No. 5 of the Commission's November 8, 2011 *Order Approving DSM/EE Rider and Requiring Filing of Proposed Customer Notice* in Docket No. E-7, Sub 979, enclosed for filing are an original and thirty copies of Duke Energy Carolinas, LLC, Southern Alliance for Clean Energy, and the Public Staff's Joint Proposal regarding Commission program modifications.

Sincerely,

*Robert W. Kaylor*

Robert W. Kaylor

Encls.

cc: Parties of Record

4m  
A6  
7comm  
Watson  
Green  
Duffley  
haver  
Lute  
Wilburn  
Sessoms  
Jones  
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## Flexibility Guidelines Reference Documentation

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Duke Energy Carolinas, LLC ("Duke Energy Carolinas" or the "Company") is committed to offering cost effective energy efficiency ("EE") and demand-side management ("DSM") programs to eligible customers. The Company's ability to fulfill this commitment is largely dependent on its ability to make program changes in a timely manner. This flexibility is needed to ensure that the Company's portfolio of programs consists of efficiency measures that are both attractive and relevant to customers, and that drive them to take actions to install higher efficiency equipment.

On February 26, 2009, in Docket No. E-7, Sub 831, the North Carolina Utilities Commission ("NCUC" or the "Commission") issued its *Order Resolving Certain Issues, Requesting Information on Unsettled Matters and Allowing Proposed Rider to Become Effective Subject to Refund* ("Sub 831 Order"). The Sub 831 Order requires Commission approval of: (1) changes in program costs greater than 20%; (2) changes that resulted in program savings of greater than 20%; (3) any change to the participant incentives offered; (4) changes to the target customer group; (5) any changes that would result in the reassignment of costs and benefits from one class to another; or (6) any combination of the first five criteria. The Company believes that these flexibility guidelines provide it with the capacity to make changes to approved EE and DSM programs. Under the Company's interpretation of the guidelines, some program changes require approval from the Commission, while other changes can be made without Commission approval.

In the course of the Company's annual DSM/EE rider proceeding in Docket No. E-7, Sub 979, it became clear that the Public Staff potentially had a different interpretation of the flexibility guidelines in the Sub 831 Order than the Company, and that perhaps there needed to be more specificity regarding program flexibility. Accordingly, in its *Order Approving DSM/EE Rider and Requiring Filing of Proposed Customer Notice* issued November 8, 2011 ("Sub 979 Order"), the Commission directed the Company, the Public Staff and Southern Alliance for Clean Energy ("SACE") (collectively, the "Parties") to discuss revisions to the program flexibility requirements in the Sub 831 Order and file a joint proposal. Consistent with the Sub 979 Order, the Parties met to discuss the flexibility guidelines from the Sub 831 Order and believe that an agreement has been reached regarding what changes should require Commission approval and what changes should not require Commission approval.

The table below summarizes the Parties' agreement regarding program flexibility and identifies program changes which should require regulatory approval by the NCUC prior to implementation, those that should not require Commission approval but should require advance notice be filed with the Commission prior to making the program change, and finally those changes that simply require inclusion in a quarterly report that will notify the Commission of all program changes made without Commission approval or advance notice. The Company will continue to share potential program changes with the Public Staff and the Collaborative.

# Flexibility Guidelines Reference Documentation

Type of Change	Description of Change	Prior NCUC Approval <sup>1</sup>	Advance Notice <sup>2</sup>
Tariff Revision	Any change to a program that is not explicitly allowed by the existing tariff language. Tariffs shall include information pertaining to the availability of, eligibility for, and applicability of the program, identification of specific measures offered, general description of each measure, maximum incentives offered ("up to \$__ per customer, measure unit, etc."), and method(s) of measure delivery.	Yes	No
Addition of and Removal from Programs of Measures Actually Offered	The addition of any tariff-authorized measure as an actual offering of a program, and/or the alteration, removal, or replacement of any tariff-authorized measure actually offered as part of a tariffed program, including any such action involving equipment or participant options/choices:		
	1. That is not consistent with the language of the tariff.	Yes	No
	2. That results in the erosion of the forward-looking program-level TRC test ratio, causing it to fall below 1.05. <sup>3</sup>	Yes	No
	3. That results in a net 20% reduction in the forward-looking annual energy (kWh) or demand (kW) savings associated with the program, as calculated for the next full program year affected by the change.	No	Yes
	4. That results in the forward-looking present value of program costs increasing by more than 20%, or the forward-looking program-level TRC test ratio decreasing by more than 20%. <sup>3</sup>	No	Yes
	5. That results in the projected forward-looking net present value avoided cost savings from the program increasing by more than 20%, or the forward-looking program-level TRC test ratio increasing by more than 20%. <sup>3</sup>	No	Yes
	6. That does not fall into one of the five categories above.	No	No <sup>4</sup>

<sup>1</sup> Petitions for approval shall be filed no later than 30 days prior to proposed effective date, pursuant to Commission Rule R8-68.

<sup>2</sup> Advance notice shall be filed no later than 45 days prior to proposed effective date.

<sup>3</sup> If inadequate market information exists to develop a reasonable estimate of the TRC test ratio, the UCT test ratio may be used instead, with the TRC ratio being provided as soon as a reasonable estimate thereof can be determined.

<sup>4</sup> Program changes falling into this category shall be set forth in the quarterly Program Modification Report, as noted below.

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Type of Change	Description of Change	Prior NCUC Approval <sup>1</sup>	Advance Notice <sup>2</sup>
Expansion or Reduction of Population to Which a Measure Will be Offered	Expansion of the offering/availability of a measure to other customer groups as authorized or allowed by the tariff but not previously included, or elimination of the availability of a measure to customer groups previously included:		
	1. That is not consistent with the language of the tariff.	Yes	No
	2. That results in the erosion of the forward-looking program-level TRC test ratio, causing it to fall below 1.05. <sup>3</sup>	Yes	No
	3. That results in the forward-looking present value of program costs increasing by more than 20%, or the forward-looking program-level TRC test ratio decreasing by more than 20%. <sup>3</sup>	No	Yes
	4. That results in the projected forward-looking net present value avoided cost savings from the program increasing by more than 20%, or the forward-looking program-level TRC test ratio increasing by more than 20%. <sup>3</sup>	No	Yes
	5. That does not fall into one of the four categories above.	No	No <sup>4</sup>
Changes to Measure Unit Savings or Baseline Standards.	Changes to the unit savings (kWh or kW saved per measurement unit) or efficiency standards for a measure, resulting from technological, regulatory, or other actions or determinations, that alter the incremental and/or baseline energy/load characteristics related to the measure and used to calculate incremental energy/demand savings:		
	1. That result in the erosion of the forward-looking program-level TRC test ratio, causing it to fall below 1.05. <sup>3</sup>	Yes	No
	2. That result in the forward-looking present value of program savings decreasing by more than 20%, or the forward-looking program-level TRC test ratio decreasing by more than 20%. <sup>3</sup>	No	Yes
	3. That result in the projected forward-looking net present value avoided cost savings from the program increasing by more than 20%, or the forward-looking program-level TRC test ratio increasing by more than 20%. <sup>3</sup>	No	Yes
	4. That do not fall into one of the three categories above.	No	No <sup>4</sup>
	Any such changes will be reflected in the next applicable EM&V provided the change occurred prior to the sample period used for the subsequent EM&V.		

# Flexibility Guidelines Reference Documentation

Type of Change	Description of Change	Prior NCUC Approval <sup>1</sup>	Advance Notice <sup>2</sup>
Changes in Participant Incentives	<p>Participant incentives associated with any actually offered measures shall not exceed the maximum incentive established in the tariff for the measure, on a per customer, kWh, or kW basis. Changes in actually offered participant incentives within the maximum limits set by the tariff:</p> <ol style="list-style-type: none"> <li>1. That are not consistent with the language of the tariff.</li> <li>2. That result in the erosion of the forward-looking program-level TRC test ratio, causing it to fall below 1.05.<sup>3</sup></li> <li>3. That result in the forward-looking present value of program costs increasing by more than 20%, or the forward-looking program-level TRC test ratio of the program decreasing by more than 20%.<sup>3</sup></li> <li>4. That result in the projected forward-looking net present value avoided cost savings from the program increasing by more than 20%, or the forward-looking program-level TRC test ratio increasing by more than 20%.<sup>3</sup></li> <li>5. That do not fall into one of the four categories above.</li> </ol>	<p>Yes</p> <p>Yes</p> <p>No</p> <p>No</p> <p>No</p>	<p>No</p> <p>No</p> <p>Yes</p> <p>Yes</p> <p>No<sup>4</sup></p>
Unit of Measure	Changes to the internal tracking of a measure component from the tracking initially established for the measure component.	No	No <sup>4</sup>
Changes in Estimates of Participant Cost	<p>Changes to the estimated participant costs, unless provided for in the Program tariff or resulting from changes identified elsewhere in this table:</p> <ol style="list-style-type: none"> <li>1. That result in the erosion of the forward-looking program-level TRC test ratio, causing it to fall below 1.05.<sup>3</sup></li> <li>2. That result in the forward-looking program-level TRC test ratio decreasing by more than 20%.<sup>3</sup></li> <li>3. That result in the forward-looking program-level TRC test ratio increasing by more than 20%.<sup>3</sup></li> <li>4. That do not fall into one of the three categories above.</li> </ol>	<p>Yes</p> <p>No</p> <p>No</p> <p>No</p>	<p>No</p> <p>Yes</p> <p>Yes</p> <p>No<sup>4</sup></p>

## Flexibility Guidelines Reference Documentation

Type of Change	Description of Change	Prior NCUC Approval <sup>1</sup>	Advance Notice <sup>2</sup>
Other Program Changes	Other program changes:		
	1. That are not consistent with the language of the tariff.	Yes	No
	2. That result in the erosion of the forward-looking program-level TRC test ratio, causing it to fall below 1.05. <sup>3</sup>	Yes	No
	3. That result in the forward-looking present value of program costs increasing by more than 20%, or the forward-looking program-level TRC test ratio decreasing by more than 20%. <sup>3</sup>	No	Yes
	4. That result in the projected forward-looking net present value avoided cost savings from the program increasing by more than 20%, or the forward-looking program-level TRC test ratio increasing by more than 20%. <sup>3</sup>	No	Yes
	5. That do not fall into one of the four categories above.	No	No <sup>4</sup>

In addition to reaching agreement on the Flexibility Guidelines, the Parties also agreed to provide the appropriate notification as defined in the Flexibility Guidelines. All program changes which require advance notice shall be filed no later than 45 days prior to the proposed effective date of the change using the Advance Notice Program Modifications Reporting Template. Should any party have concern about the proposed modification, it shall file comments with the Commission within 25 days of the Company's filing of the Advance Notice Program Modifications Reporting Template. A sample of the Advance Notice Program Modifications Reporting Template is included in this document. The Parties also agreed that on a quarterly basis, the Company will file a notification, using the Program Modifications Reporting Template below, with the Commission of program changes that have been made without Commission approval or advance notice. Attached is an example of the Program Modifications Reporting Template and Advance Notice Program Modifications Reporting Template.

In addition to the measurements required with respect to the above-described program changes, forward-looking TRC and other cost effectiveness test results shall be provided for review in each annual R8-69 cost recovery proceeding. In any case that a program has experienced a number of separate changes or modifications that have effectively changed the baseline for a program by 15%, one or more of the parties may request that the baseline TRC and other test results be reset for purposes of applying these Flexibility Guidelines. Additionally, whenever a change in a program goes into effect as a result of Commission approval or is allowed to go into effect after advance notice, the baseline TRC and other test results will be reset for purposes of applying these Flexibility Guidelines.

With regard to all program changes, the Parties note that neither Commission approval, the filing of advance notice, nor the inclusion of the changes in the quarterly Program Modifications Report precludes any party from taking issue with or the Commission from disallowing or amending a program change in a DSM/EE cost recovery proceeding, DSM/EE program approval proceeding, general rate case proceeding, or a similar proceeding.

# Flexibility Guidelines Reference Documentation

For purposes of this discussion:

1. "Program" is defined as a group of DSM/EE measures that are appropriately bundled into a group for purposes of program delivery, marketing, and maximizing energy savings. Tariffs are developed for programs and include the availability and applicability of the program, and the customer eligibility requirements. Cost effectiveness is determined at this level. Example: Residential and Non-residential Smart Saver, Low Income and Weatherization, Residential Energy Assessment, Energy Efficiency in Education, Power Manager, and Power Share.
2. "Measure" is generally defined as a specific and individual activity or item of equipment that provides energy or demand savings. Examples include refrigerator replacement, HVAC heat pump, central air, ground source, lighting fixtures, LEDs, CFLs, etc. One measure may constitute the measurement unit by which the utility tracks costs and savings, or individual measures may be grouped into a single measurement unit. In each approved program tariff, the maximum incentive for each included measure and/or measurement unit will be set forth.

In addition to reaching agreement on the flexibility guidelines, the Parties also agreed that on a quarterly basis, the Company will file a notification, using the Program Modifications Reporting Template below, with the Commission of all program changes that have been made without Commission approval or advance notice. The attached Program Modifications Reporting Template is updated with some of the changes the Company had made prior to realizing there were some differences in the interpretation of the flexibility guidelines.

## Program Modifications Reporting Template

The Program Modifications Reporting Template will include the following information as agreed upon by the Parties.

	Description
Program Name	The name of the program with the recommended or implemented program change.
Original Offer	A description of the original offer to program participant
Description of Change	Details of the change made to the program. For example, the incentive per participant was increased to drive program participation. Although the cost effectiveness per participant declined, the overall program cost effectiveness is expected to increase as a result of more program participants.
Type of Change	Identifies the type of program change made. Refer to the table entitled Type of Programs in this document on page one for a list of types of program changes and description of each change.
Date of Change	The date the change was implemented.
Delta of Change in Cost Effectiveness Test Results	Illustrates the impact that the program change has on the cost effectiveness tests. It reflects the changes in energy savings, program costs and projected participation versus what was reflected in the test results that were originally filed.
New Cost Effectiveness Test Results	The new cost effectiveness test scores based on implementation of the proposed program change.
Percent of Change in Program Cost	The percentage of change in program costs reflecting the proposed program change(s).
Absolute Change in Program Costs	The change in program costs reflecting the proposed program change(s).
Percent of Change in Projected Avoided Costs	The percentage of change in projected avoided costs reflecting the proposed program change(s).

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Absolute Change in Projected Avoided Costs	The change in projected avoided costs reflecting the proposed program change(s).
Percent of Change in Program Impacts	The percentage of change in projected annual energy and demand savings reflecting the proposed program change(s), as calculated for the next full program year affected by the change.
Absolute Change in Program Impacts	The change in projected annual energy and demand savings reflecting the proposed program change(s), as calculated for the next full program year affected by the change.

### Advance Notice Program Modifications Reporting Template

The Advance Notice\_Program Modifications Reporting Template will include the following information as agreed upon by the Parties.

	Description
Program Name	The name of the program with the recommended or implemented program change.
Description of Proposed Change	Details of the proposed program change to be made.
Type of Change	Identifies the type of program change made.
Proposed Effective Date of Change	The proposed date to implement the change
Delta of Change in Cost Effectiveness Test Results	Illustrates the impact that the program change has on the cost effectiveness tests. It reflects the changes in energy savings, program costs and projected participation versus what was reflected in the test results that were originally filed.
New Cost Effectiveness Test Results	The revised cost effectiveness test scores reflecting the proposed program change(s).
Percent of Change in Program Cost	The percentage of change in program costs reflecting the proposed program change(s).
Absolute Change in Program Costs	The change in program costs reflecting the proposed program change(s).
Percent of Change in Projected Avoided Costs	The percentage of change in projected avoided costs reflecting the proposed program change(s).
Absolute Change in Projected Avoided Costs	The change in projected avoided costs reflecting the proposed program change(s).
Percent of Change in Program Impacts	The percentage of change in projected annual energy and demand savings reflecting the proposed program change(s), as calculated for the next full program year affected by the change.
Absolute Change in Program Impacts	The change in projected annual energy and demand savings reflecting the proposed program change(s), as calculated for the next full program year affected by the change.



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## Program Modifications Reporting Template

Program Name	Original Offer	Description of Change	Type of Change	Date of Change	Delta of Change				New Cost Effectiveness Test Results				Percent of Change in Program Cost	Absolute Change in Program Cost	Percent of Change in Projected Avoided Cost	Absolute Change in Projected Avoided Cost	Percent of Change in Program Impacts	Absolute Change in Program Impacts
					UCT	TRC	RIM	Participant	UCT	TRC	RIM	Participant						
Energy Efficiency Education <sup>2</sup>	The filed program offered eligible program participants the opportunity to receive an energy efficiency kit for completing a home energy audit.	The Energy Efficiency Education (EEE) Program was launched offering an EE kit to individuals that completed the home energy audit. Based on the audit response, the customer may qualify for additional CFLs. The opportunity for customers to qualify for additional CFLs was eliminated in September 2010. This change was implemented to mitigate the risk associated of customers receiving CFLs from the EEE Program and residential Smart Saver CFL program via the (IVR/Web) offering.	Measure Removal EE Kit Modification	September 2010														
		One 13 watt CFL bulb was added to the EE Kit.		Prior to June 2009	(1.10)	(1.07)	(0.03)		2	2.03	0.79							

<sup>2</sup> Information provided will be marked as confidential.

## Program Modifications Reporting Template

Program Name	Original Offer	Description of Change	Type of Change	Date of Change	Delta of Change				New Cost Effectiveness Test Results				Percent of Change in Program Cost	Absolute Change in Program Cost	Percent of Change in Projected Avoided Cost	Absolute Change in Projected Avoided Cost	Percent of Change in Program Impacts	Absolute Change in Program Impacts
					UCT	TRC	RIM	Participant	UCT	TRC	RIM	Participant						
Low Income Energy Efficiency and Weatherization Program	The filed program offered eligible program participants the opportunity to receive one six pack of CFLs and one energy efficiency kit for completing a survey.	Offered program participants 12 CFLS instead of the filed offer of 6 CFLs and 1 EE Kit.	EE Kit Modification	Prior to June 2009	(0.15)	(0.15)	(0.01)		1.84	1.84	0.68							
Low Income Energy Efficiency and Weatherization Program	The filed program offered eligible program participants the opportunity to receive one six pack of CFLs and one energy efficiency kit for completing a survey.	The Low Income CFL measure (12 pack of CFLs) was discontinued as an offering under Low Income Programs. The residential Smart Saver CFL program offers free CFLs to all residential customers in North and South Carolina through the automated IVR/Web platform. Duke Energy has served more low income customers through this offer. The participation rate through the residential Smart Saver CFL program has exceeded the participation rate in the Low Income Programs CFL offer from past years.	Measure Removal	January 2011	(1.62)	(1.62)	(0.39)		0.37	0.37	0.28							

# Flexibility Guidelines Reference Documentation

## Program Modifications Reporting Template

Program Name	Original Offer	Description of Change	Type of Change	Date of Change	Delta of Change				New Cost Effectiveness Test Results				Percent of Change in Program Cost	Absolute Change in Program Cost	Percent of Change in Projected Avoided Cost	Absolute Change in Projected Avoided Cost	Percent of Change in Program Impacts	Absolute Change in Program Impacts
					UCT	TRC	RIM	Participant	UCT	TRC	RIM	Participant						
Non-Residential Smart Saver Prescriptive 3	The filed non-residential Smart Saver Prescriptive Program included measures with defined incentive amount.	Incentive measure additions, within the technology categories defined in the tariff, have occurred between filing and July 2010. Measure additions were made to the high efficient lighting (majority of additions), food service, motors/pumps/drive, and process categories.	Measure Expansion	Refer to the worksheet named NRPRES Measure Extensions for a detailed listing of measure extensions.	(0.03)	0.00	0.01	3.81	2.86	1.78	1.13	2.35						
Non-Residential Smart Saver Prescriptive 4	The filed non-residential Smart Saver Prescriptive Program included measures with defined incentive amount.	A limited number of incentive measures originally filed have been removed from the program offerings since filing. Incentives for these measures continue to be available thru the Custom program with the exception of air cooled reciprocal chillers which are no longer manufactured.	Measure Removal	Refer to the worksheet named NRPRES Removed Measures for a detailed listing and explanation of measure removals.	0.01	(0.01)	0.01	(0.06)	2.82	1.79	1.13	2.37						
Non-Residential Smart Saver Prescriptive	The filed non-residential Smart Saver Prescriptive Program included measures with defined incentive amount.	Incentive amounts were revised (both increased and decreased) were made to measures originally filed. Revisions were made within the 50% tariff incentive cap.	Measure Revision	Refer to the worksheets named NRPRES Increased Incentive Amts and NRPRES Decreased Incentive Amts for a detailed listing of changes.														

# Flexibility Guidelines Reference Documentation

## Program Modifications Reporting Template

Program Name	Original Offer	Description of Change	Type of Change	Date of Change	Delta of Change				New Cost Effectiveness Test Results				Percent of Change in Program Cost	Absolute Change in Program Cost	Percent of Change in Projected Avoided Cost	Absolute Change in Projected Avoided Cost	Percent of Change in Program Impacts	Absolute Change in Program Impacts
					UCT	TRC	RIM	Participant	UCT	TRC	RIM	Participant						
Residential Energy Assessments	The filed program offered eligible program participants the opportunity to receive an energy efficiency kit for completing energy efficiency audit.	The window film and a 15 watt CFL bulb was removed from the EE kit offered to Home Energy House Call Program participants. These two items were replaced with two 13 watt CFL bulbs. Also added additional CFLs, based on number of CFLs currently installed in the home, an average of 6.	EE Kit Modification	Prior to June 2009	0.00	0.00	0.00		2.56	2.56	0.74							
Residential Smart Saver <sup>1</sup>		Residential CFL program moved from a discounted coupon (retail) offer to a 'free' offer.	Measure Revision	March 2010	0.12	0.32	0.00	0.92	3.17	3.88	0.78	9.13						
Residential Smart Saver <sup>2</sup>		Residential Property Manager program allows Duke Energy to reach multi-family properties (i.e. rental customers). Duke Energy ships bulk CFLs to eligible Properties and the CFLs are installed in permanent fixtures of each unit. The Property Managers pay the shipping fee and reports installation data back to Duke. The program increases tenant satisfaction with Energy Efficiency lighting upgrades and is easy for properties to participate in the program.	Measure Expansion	March 2010	(0.16)	1.38	(0.01)	3.81	3.45	2.8	0.79	6.24						

<sup>1</sup> Type of Change description denotes the type of change implemented.

<sup>2</sup> Updated cost effectiveness scores reflect removal of a six pack of CFLs and adding one 13W CFL to the EE kit.

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<sup>3</sup> Updated cost effectiveness scores reflect removed measures excluded and measures extensions added.

<sup>4</sup> Updated cost effectiveness scores reflect removed measures.

<sup>5</sup> Updated cost effectiveness scores reflect free CFL offer and Property Manager CFL.

<sup>6</sup> Updated cost effectiveness scores reflect addition of Property Manager CFL to as filed residential Smart Saver Program.

## Advance Notice Program Modifications Reporting Template

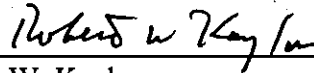
Program Name	Description of Proposed Change	Type of Change	Proposed Effective Date of Change	Delta of Change				New Cost Effectiveness Test Scores				Percent of Change in Program Cost	Absolute Change in Program Cost	Percent of Change in Projected Avoided Cost	Absolute Change in Projected Avoided Cost	Percent of Change in Projected Program Impacts (kWh/kW)	Absolute Change in Program Impacts (kWh/kW)
				UCT	TRC	RIM	Participant	UCT	TRC	RIM	Participant						

Rationale for Program Change:

CERTIFICATE OF SERVICE

I certify that a copy of the of Duke Energy Carolinas, LLC, Southern Alliance for Clean Energy, and the Public Staff's Joint Proposal in Docket No. E-7, Sub 831, has been served by electronic mail (e-mail), hand delivery or by depositing a copy in the United States Mail, first class postage prepaid, properly addressed to parties of record.

This the 6<sup>th</sup> day of February, 2012.



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