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February 20, 2009

FILED

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Clerk's Office
N.C. Utilities Commission

Ms. Renné Vance, Chief Clerk
North Carolina Utilities Commission
430 North Salisbury Street
Raleigh, NC 27603

Re: Docket No. E-2, Subs 935, 936, 937, and 938—Settlement Agreement

Dear Ms. Vance:

The purpose of this letter is to clarify Progress Energy Carolinas, Inc.'s ("PEC") position with regard to the application of the settlement agreement dated July 18, 2008 in Docket No. E-2, Sub 928 entered into by PEC, Public Service Company of North Carolina ("PSNC"), and Piedmont Natural Gas Company ("Piedmont") to all DSM/EE programs offered by PEC and approved by the Commission.

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1. Paragraphs 1, 2, and 8 of the Settlement Agreement shall apply to all PEC DSM/EE programs. With regard to Paragraph 7 of the Settlement Agreement, PEC may provide incentives that exceed the limits set forth therein if the end use associated with the incentive does not have a natural gas-fueled alternative.
2. With regard to incentives offered to encourage customers to achieve Energy Star standards compliance and cooperative advertising, such incentives shall be the same for both all electric and non-all electric homes and dwellings.
3. With regard to incentives offered to encourage customers to install higher efficiency heat pumps or central air conditioning units, such incentives shall be equivalent and promoted on an equal basis.
4. With regard to incentives offered in conjunction with commercial, industrial, and governmental retrofit programs to existing customers, incentives associated with the replacement of equipment, with the exception of air

conditioning equipment that is addressed in Item 3 above, shall be limited to existing electrical equipment.

5. The principles and restrictions applicable to the Programs described in Paragraph 6 of the Settlement shall apply to all PEC DSM/EE programs and measures.
6. PEC further clarifies that under the EE custom measure incentive, if there is a prescriptive incentive for a specific measure, the incentive paid for that measure will not exceed the prescriptive incentive unless the end use associated with the incentive does not have a natural gas-fueled alternative. Specific to the custom whole building and design incentives (limited to new construction and major renovations), the incentive for a measure, if the measure does not have a natural gas-fueled alternative, may exceed the equivalent prescriptive amount as it is extremely difficult to separate the savings attributable to each individual measure due to the interactive effects of all systems within the new design. However, these incentives are contingent on the whole building energy savings, including all fuels, exceeding 10% to 20% as outlined within the program. It is noted that the incentives will only actually be paid on the portion of electrical kWh savings above the baseline building code standards.
7. PEC had agreed in the settlement that EEE firms will not provide their services to a customer with the intention of displacing natural gas; such commitment will apply also to the Trade Allies with whom PEC will work.

Please give me a call if you have any questions. Thank you in advance for your assistance.

Very truly yours,



Len S. Anthony
General Counsel
Progress Energy Carolinas, Inc.

LSA:mhm

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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-2, SUBS 935, 936, 937 and 938

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of:

Docket No. E-2, Sub 935 - Petition for)	
Approval of Residential Solar Water)	
Heating Pilot Program)	
)	
Docket No. E-2, Sub 936 - Petition for)	
Approval of Residential Home Energy)	CERTIFICATE OF SERVICE
Improvement Program)	
)	
Docket No. E-2, Sub 937 - Petition for)	
Approval of Residential Solar Heating Pilot)	
Program)	
)	
Docket No. E-2, Sub 938 - Petition for)	
Approval of Commercial, Industrial,)	
Governmental Energy Efficiency Program)	

I, Len S. Anthony, hereby certify that the filing of Progress Energy Carolinas, Inc.'s clarification regarding the settlement agreement dated July 18, 2008 in Docket No. E-2, Sub 928, entered into by PEC, Public Service Company of North Carolina, and Piedmont Natural Gas Company to all DSM/EE programs in the above referenced docket, 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 February, 2009:

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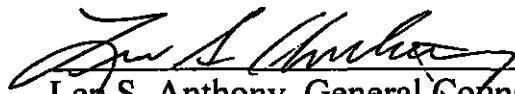
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