

**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,) ORDER APPROVING PROGRAM
Inc., for Approval of Residential Home)
Energy Improvement Program)

BY THE COMMISSION: On October 31, 2008, Carolina Power & Light Company, d/b/a Progress Energy Carolinas, Inc. (PEC), filed a petition seeking approval of its Residential Home Energy Improvement Program (the Program). Under the Program, residential customers will be offered a variety of energy conservation measures (ECMs) designed to increase energy efficiency. The available ECMs include duct testing and repair; 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 that includes refrigerant and air flow adjustments; replacement of existing heat pumps and central air conditioning with more efficient systems; and window replacement. For each ECM installed, the customer will be paid a specified monetary incentive. The Program is open only to customers in single-family, multi-family, and manufactured homes that can no longer be considered new construction. Occupants of rented single-family residences may participate in the Program with the permission of the landlord. The Program is similar in some respects to PEC's Residential Home Advantage Program, approved by the Commission on October 14, 2008, in Docket No. E-2, Sub 928, which makes ECMs available to newly constructed residential dwellings.

On November 24, 2008, Southern Environmental Law Center, Natural Resources Defense Council, and the Southern Alliance for Clean Energy (collectively the Environmental Intervenors) filed a petition to intervene. The Commission issued an order granting the petition to intervene.

On December 1, 2008, Christopher Simmler filed a petition to intervene, which the Commission granted. Mr. Simmler's comments were included in his petition. A significant portion of his comments related to the potential "financial gaming" associated with the qualifications and workmanship of contractors PEC would use to install ECMs.

On December 18, 2008, Attorney General Roy Cooper filed a notice of intervention with the Commission pursuant to G.S. 62-20. No further comments were filed by the Attorney General.

On December 30, 2008, the Environmental Intervenors filed comments in this matter. In their comments they contended that instead of filing individual initiatives piecemeal, PEC should propose a comprehensive program plan for a strategic set of complementary program initiatives that incorporate the lessons learned from, and the best practices of, exemplary programs around the country. The comprehensive program plan should include discussion of the barriers to energy conservation, marketing strategies for the initiatives as a whole, how the initiatives will be deployed, interaction with stakeholders, and annual and multi-year impacts through indices such as demand and participation levels. More specifically, the Environmental Intervenors stated that the Program did not include an appliance energy conservation component, and recommended that the Program include such an ECM and allow customers to finance the ECM through a billing adjustment.

On December 30, 2008, Public Service Company of North Carolina, Inc. (PSNC), filed a petition to intervene, which the Commission granted, and accompanying comments. PSNC indicated that in discussions with PEC, PSNC expressed concerns about offering conservation programs that could lead to customers choosing electric water heating over natural gas water heating. PSNC did not express objections, but did reserve the right to object at a later time. PSNC has filed no further comments in this matter.

On December 30, 2008 the Public Staff filed its response to the petition addressing specific issues related to the Program. Key conclusions drawn by the Public Staff's investigation included the following:

1. PEC will require specific licensing and training qualifications for the contractors installing ECMs, but specific qualifications had not yet been developed at the time of the Public Staff's response.
2. PEC's proposed ECM financing option will likely take the place of the existing Energy Efficiency Financing Program approved on March 27, 2001, in Docket No. E-2, Sub 435. Details of the financial arrangements to be available to customers have not yet been developed.
3. PEC's proposed measurement, verification, and evaluation (MV&E) plan is consistent with previous programs approved by the Commission. PEC stated that a third-party consultant would be employed to provide independent data collection and analysis. PEC will submit an annual report detailing the program activities, savings, costs, and participation. PEC has notified the Public Staff that it had selected its MV&E consultant.
4. PEC will seek cost recovery pursuant to the outcome of its petition filed in Docket No. E-2, Sub 931, for all program costs, utility incentives, and lost revenues associated with the Program.

The Public Staff recommended that PEC file an amended petition, to correct

certain errors in the initial petition, and to describe the program more accurately as it was explained in informal discussions with to the Public Staff.

On February 20, 2009, PEC filed a letter seeking to clarify certain provisions of the settlement agreement filed July 18, 2008, in Docket No. E-2, Sub 928, between PEC, PSNC, and Piedmont Natural Gas Company (Piedmont). PEC stated that it would provide the same incentives, and promote higher efficiency HVAC systems on an equal basis, to all-electric and non-all-electric homes and dwellings. With respect to commercial, industrial, and governmental retrofit programs, the parties agreed that incentives would be paid to replace existing electrical equipment. The settlement agreement provides that if there is a custom incentive for a specific measure, the incentive paid would not exceed the prescriptive incentive unless the end-use of the equipment does not have a natural gas fuel alternative, and that PEC's contractors installing ECMs do not intentionally perform services that would displace natural gas.

On February 24, 2009, PEC filed an amended petition correcting the errors identified by the Public Staff and clarifying the proposed MV&E plan. The remainder of PEC's application was unchanged. PEC did not amend its application addressing the licensure and qualifications of contractors selected to install ECMs.

The Public Staff presented this matter to the Commission at its Regular Staff Conference on April 27, 2009. The Public Staff stated that it has reviewed the amended petition and believes that PEC has adequately corrected the errors identified in the Public Staff's response to the initial petition. The Public Staff also noted that it met with Mr. Simmler on February 17, 2009, to discuss the issues raised in his petition to intervene. Subsequently, the Public Staff met with PEC to discuss the importance of implementing adequate contractor licensure and other qualification requirements before the Program is initiated, so as to provide customers with assurance that the work being performed is done by reputable and approved contractors. Following this meeting, PEC provided the Public Staff with a statement of its licensure and qualification requirements, and the Public Staff believes them to be satisfactory.

The Public Staff further stated that it believes the Program is in the public interest, has the potential to encourage energy efficiency and reduce PEC's peak load and system energy consumption, is consistent with PEC's integrated resource plan, and should be approved as a "new" program pursuant to Commission Rule R8-69. The Public Staff further noted that based on PEC's evaluations, the Program appears to be cost-effective. The Public Staff also made the following recommendations:

1. PEC should maintain its existing Energy Efficiency Financing Program until such time as it has fully developed a new financing program take its place, which should be filed with the Commission and approved pursuant to Commission Rule R8-68.
2. The provisions of the first full paragraph on page 13 of PEC's Amended Petition filed on February 24, 2009, in Docket No. E-2, Sub 938, and

approved by the Commission, relating to flexibility and Program modifications, should be applicable to the Residential Home Energy Improvement Program.

3. Pursuant to Commission Rule R8-68(c)(3)(v), PEC should be required to file, within 10 days following the date of an order approving the Program, a tariff that describes the Program, including the Program availability, applicability, participant incentives, definitions, and participant and company obligations.
4. In order to maintain the ongoing accuracy of the tariff as the official statement of the Program's provisions, any Program change filed by PEC – whether it is a major change requiring advance approval or a minor change submitted on an informational basis – should be accompanied by an updated tariff.

Mr. Simmler appeared at the Regular Staff Conference and expressed his concerns as to the effectiveness of the HVAC true-up and maintenance measures for achieving energy efficiency. Neither the Attorney General nor PSNC filed objections to approval of the Program as it now stands. With respect to the concerns raised by the Environmental Intervenors – as well as the issues raised by Mr. Simmler and not already discussed – the Commission believes that although there may be merit in some of these parties' suggestions, the most important consideration at this time is to proceed with implementation of this and other PEC energy efficiency proposals, so that customers in the State can be encouraged to adopt energy efficiency measures, even if the measures as proposed have not been perfected and do not contain all the features of an ideal program. The perfect should not be allowed to become the enemy of the good. The issues raised by the Environmental Intervenors and Mr. Simmler are issues of policy rather than issues of material fact, and PEC's program can be approved under Commission Rule R8-68(d)(1) without the necessity of an evidentiary hearing.

IT IS, THEREFORE, ORDERED as follows:

1. That PEC shall maintain its existing Energy Efficiency Financing Program until such time as it has fully developed a new financing program to take its place. PEC shall file any replacement program with the Commission pursuant to Commission Rule R8-68.
2. That the Residential Home Energy Improvement program is hereby approved as a "new" energy efficiency program pursuant to Commission Rule R8-69.
3. That the procedures for PEC's recovery of the program costs, as well as any recovery of lost revenues or other utility incentives associated with the Program, and the procedures for cost allocation, shall be as determined by the Commission in Docket No. E-2, Sub 931.

4. That the provisions of the first full paragraph on page 13 of PEC's Amended Petition filed on February 24, 2009, in Docket No. E-2, Sub 938, and approved by the Commission, relating to flexibility and Program modifications, shall be applicable to the Residential Home Energy Improvement Program.

5. That PEC shall file with the Commission, within 10 days following the date of this order, a tariff that describes the Residential Home Energy Improvement Program, including the Program availability, applicability, participant incentives, definitions, and participant and company obligations.

6. That any Program change filed by PEC – whether it is a major change requiring advance approval or a minor change submitted on an informational basis – should be accompanied by an updated tariff.

ISSUED BY ORDER OF THE COMMISSION.

This the 30th day of April, 2009.

NORTH CAROLINA UTILITIES COMMISSION

Gail L. Mount

Gail L. Mount, Deputy Clerk

Chairman Edward S. Finley, Jr. did not participate in this decision.

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