Progress Energy

March 1, 2012

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PSC SC
MAIL / DMS

Jocelyn Boyd, Esq.
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Dr., Suite 100
Columbia, SC 29210

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RE: SCPSC Docket No. 2012-__-E

Dear Mrs. Boyd:

In accordance with the Stipulation Agreement and the Procedure and Mechanism for Recovery of Costs and Incentives for Demand-Side Management and Energy Efficiency ("DSM and EE") Programs approved by the Commission's June 26, 2009 Order No. 2009-373 in Docket No. 2008-251-E, Carolina Power & Light Company, d/b/a Progress Energy Carolinas, Inc. ("PEC") hereby submits for filing its DSM/EE Filing Requirements and the Testimony and Exhibits of Robert P. Evans.

PEC seeks Commission approval of its Demand-Side Management and Energy Efficiency Rider DSM/EE-1, to become effective July 1, 2012.

Sincerely,

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

LSA:mhm

STAREG2258

Progress Energy Service Company, LLC
P.O. Box 1551
Raleigh, NC 27602

STATE OF NORTH CAROLINA	)	DOCKET NO. 2012-____-E
	)	
COUNTY OF WAKE	)	VERIFICATION

PERSONALLY APPEARED before me, Robert P. Evans, who, after first being duly sworn, said that:

I am a Lead DSM Regulatory Specialist in Progress Energy Carolinas, Inc.'s Efficiency and Innovative Technologies Department;

I am authorized to make this verification;

On March 1, 2012, I caused to be pre-filed twenty-three (23) pages of direct testimony supporting and explaining PEC's DSM/EE Cost Recovery Rider Application filed that same date. This testimony and application were prepared by me or under my direct supervision and control and are true and accurate.

RPEvans

Robert P. Evans

Sworn to and subscribed before me,
this the 1st day of March, 2012.

Marsha H. Manning

My Commission Expires: 10-3-2014

MARSHA H MANNING
NOTARY PUBLIC
WAKE COUNTY, NC
My Commission Expires 10-3-2014

STAREG2258

PEC Exhibit No. 1
Filing Requirements

Progress Energy Carolinas, Inc.

Demand Side Management and Energy Efficiency Programs

Progress Energy Carolinas, Inc. Application for DSM/EE Rider and Filing Requirements

Submitted Pursuant to Procedure and Mechanism for Recovery of Costs and Incentives for Demand-Side Management and Energy Efficiency Programs Approved in Docket No. 2008-251-E

Docket No. 2012-_____ -E

March 1, 2012

Recovery request for actual and estimated DSM/EE costs incurred from April 1, 2011 through March 31, 2012 and for forecasted costs covering both the period July 1, 2012 through June 30, 2013. This request will result in the modification of rates associated with the Company's DSM/EE rider.

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Provision (f)(2) – List of customers opting out of participation

(f) Special Provisions for Industrial or Large Commercial Customers.

(2) At the time the electric public utility petitions for the annual rider, it shall provide the Commission with a list of those industrial or large commercial customers that have opted out of participation in the new demand-side management or energy efficiency measures.

Please refer to Appendix A which provides a listing of industrial and large commercial customers, as of January 31, 2012, that have opted out of participation in PEC's new demand-side management or energy efficiency measures.

Provision (h)(1)(i) - Projected SC retail sales for the rate period

(h) Filing Requirements and Procedure.

(1) PEC shall submit to ORS and the Commission all of the following information in its application:
(i) Projected South Carolina retail monthly kWh sales for the rate period.

The Company's projected South Carolina retail monthly kWh sales for the rate period, July 1, 2012 through June 30, 2013, are provided in the following table:

Projected South Carolina Retail Monthly kWh Sales

Month	Estimated kWh
Jul-12	598,148,449
Aug-12	622,298,455
Sep-12	589,381,897
Oct-12	500,943,891
Nov-12	453,218,536
Dec-12	513,297,431
Jan-13	619,122,612
Feb-13	558,721,609
Mar-13	509,206,186
Apr-13	482,448,024
May-13	462,365,998
Jun-13	555,710,187
Total	6,464,863,273

Provision (h)(1)(ii)a - Total expenses expected to be incurred during the rate period

(h) Filing Requirements and Procedure.

(1) PEC shall submit to ORS and the Commission all of the following information in its application:

(ii) For each DSM/EE program for which cost recovery is requested:

a. total expenses expected to be incurred during the rate period in the aggregate and broken down by type of expenditure, per appropriate capacity, energy and measure unit metric and the proposed jurisdictional allocation factors;

For purposes of cost recovery through the DSM/EE rider, the Company's expected expenses for the rate period, July 1, 2012 through June 30, 2013, have been broken down by type of expenditure and provided in the following table:

	Recoverable Expenditures (System Retail)					
Program / Measure	O&M	Depreciation	Capital Costs	Income and General Taxes	PPI and Net Lost Revenue	Total Costs and Incentives
Demand-Side Management Programs						
CIG DR	2,219,408				114,516	2,333,924
EnergyWiseTM	13,743,679				1,143,867	14,887,546
DSDR Implementation	8,200,068	10,896,586	11,754,043	6,817,632	-	37,668,329
Energy Efficiency Programs						
Res Home Advantage	197,630				547,096	744,726
Res Home Energy Improvement	6,480,981				1,411,681	7,892,662
Residential Low Income	2,046,602				736,914	2,783,516
CIG Energy Efficiency	9,897,712				8,772,791	18,670,503
Solar Hot Water Pilot	-				-	-
Residential Lighting	6,312,104				12,988,400	19,300,504
Res Appliance Recycling	2,228,358				1,034,156	3,262,514
Residential EE Benchmarking	777,316				1,678,940	2,456,256
Home Depot CFL	-				73,702	73,702
Small Business Direct Install	3,637,162				517,660	4,154,822
Residential New Construction	6,918,202				185,670	7,103,872
Program Subtotals	62,659,222	10,896,586	11,754,043	6,817,632	29,205,392	121,332,875
Administrative and General						2,799,527
Carrying Costs						11,219,946
Expenditure Totals						135,352,348

Provision (h)(1)(ii)a - *Continued*

The following table provides the program costs, excluding Program Performance Incentives and the recovery of net lost revenues, per appropriate capacity, energy and measure unit metric, over the various program lives. It is important to note that unitized costs will vary from year to year and should be viewed over program lives. Program cost estimates over the life of the program were supplied with the Company's original program applications.

Program / Measure	System Costs	DSM Costs / (MW x Years)	EE Costs / (MWH x Years)
Demand-Side Management Programs (Calculated on EOY 2013 MW Capabilities - at the meter)			
CIG DR	2,333,924	$3,799	NA
EnergyWise™	14,887,546	$4,056	NA
DSDR Implementation	37,668,329	$5,101	NA
Energy Efficiency Programs (Calculated Using Rate Period MWH Savings - at the meter)			
Res Home Advantage	744,726	NA	$226
Res Home Energy Improvement	7,892,662	NA	$74
Residential Low Income	2,783,516	NA	$67
CIG Energy Efficiency	18,670,503	NA	$39
Solar Hot Water Pilot	NA	NA	NA
Residential Lighting	19,300,504	NA	$47
Res Appliance Recycling	3,262,514	NA	$53
Residential EE Benchmarking	2,456,256	NA	$213
Home Depot CFL	73,702	NA	NA
Small Business Direct Install	4,154,822	NA	$24
Residential New Construction	7,103,872	NA	$67

Provision (h)(1)(ii)a - *Continued*

For purposes of cost recovery through the South Carolina DSM/EE rider, the Company's expected expenses for the rate period, July 1, 2012 through June 30, 2013, have been broken down for South Carolina jurisdictional retail customers by type of expenditure and provided in the following table:

	Recoverable Expenditures (South Carolina)					
Program / Measure	O&M	Depreciation	Capital Costs	Income and General Taxes	PPI and Net Lost Revenue	Total Costs and Incentives
Demand-Side Management Programs						
CIG DR	296,735				15,368	312,103
EnergyWiseTM	1,837,530				153,507	1,991,037
DSDR Implementation	1,104,189	1,467,291	1,582,753	1,113,819	-	5,268,052
Energy Efficiency Programs						
Res Home Advantage	27,826				77,742	105,568
Res Home Energy Improvement	912,522				200,600	1,113,122
Residential Low Income	288,162				104,715	392,877
CIG Energy Efficiency	1,393,598				1,246,614	2,640,212
Solar Hot Water Pilot	-				-	-
Residential Lighting	888,744				1,845,652	2,734,396
Res Appliance Recycling	313,753				146,954	460,707
Residential EE Benchmarking	109,446				238,577	348,023
Home Depot CFL	-				10,473	10,473
Small Business Direct Install	512,112				73,560	585,672
Residential New Construction	974,083				26,384	1,000,467
Program Subtotals	8,658,700	1,467,291	1,582,753	1,113,819	4,140,145	16,962,708
Administrative and General						388,128
Carrying Costs with Income Taxes						1,676,385
Expenditure Totals						19,027,221

The Company's proposed jurisdictional allocation factors for the rate period, July 1, 2012 through June 30, 2013, are provided in attached Appendix B.

Provision (h)(1)(ii)b - Expected cost associated with measures

(h) Filing Requirements and Procedure.

(1) PEC shall submit to ORS and the Commission all of the following information in its application:

(ii) For each DSM/EE program for which cost recovery is requested:

b. total costs that PEC expects to incur during the rate period as a direct result of the measure in the aggregate and broken down by type of cost, per appropriate capacity, energy and measure unit metric, and the proposed jurisdictional allocation factors as well as any changes in the estimated future amounts since last filed with the Commission;

The total costs that PEC expects to incur during the rate period as a direct result of the measure in the aggregate and broken down by type of cost, per appropriate capacity, energy and measure unit metric, are provided in Provision (h)(1)(ii)a. The Company's proposed jurisdictional allocation factors for the rate period, July 1, 2012 through June 30, 2013, are provided in attached Appendix B. In terms of variations in estimated future amounts since its last reporting, PEC is currently unaware of any material differences associated with its offerings.

Provision (h)(1)(ii)c - Measurement and verification activities for rate period

(h) Filing Requirements and Procedure.

(1) PEC shall submit to ORS and the Commission all of the following information in its application:

(ii) For each DSM/EE program for which cost recovery is requested:

c. a description of the measurement and verification activities to be conducted during the rate period, including their estimated costs;

Demand Side Management Portfolio

DSDR

Measurement and verification for the Smart Grid – DSDR Program will be determined by utilizing recorded data obtained from the System Energy Control Center and the Distribution Control Center. This data analysis will not be performed by a third party; therefore there will be no third-party incremental costs expended to perform anticipated measurement and verification activities during the rate period.

EnergyWise℠

PEC has contracted with independent, third-party consultant, Navigant Consulting, to provide the appropriate M&V support, including the development and implementation of an evaluation plan designed to measure the demand and energy impacts of the EnergyWise℠ program.

Navigant is performing yearly program evaluations for Progress Energy Carolinas' EnergyWise℠ program including all relevant impact and process evaluation services required to support continued program planning and implementation, system resource planning and forecasting, and regulatory filings.

M&V services to be performed through June 2013 include:

- Collect program data
- Process evaluation interviews
- Verify measure and persistence through on-site visits
- Collect interval data
- Program database review
- Benchmarking research
- Dispatch optimization modeling
- Data analysis
- Reporting

The total budget for EnergyWise℠ M&V activities for the rate period is $325,000.

Provision (h)(1)(ii)c - Continued

CIG Demand Response Program

PEC has contracted with independent, third-party consultant, Navigant Consulting, to provide the appropriate M&V support, including the development and implementation of an evaluation plan designed to measure the demand and energy impacts of the CIG Demand Response program.

Navigant is performing yearly program evaluations for Progress Energy Carolinas' CIG Demand Response program, including all relevant impact and process evaluation services required to support program planning and implementation, system resource planning and forecasting, and regulatory filings.

M&V services to be performed through June 2013 include:

- Process evaluation interviews
- Verify measure and persistence through on-site visits
- Collect interval data
- Market research for DR benchmarking study
- Program database review
- Data analysis
- Reporting

The total budget for CIG Demand Response M&V activities for the rate period is $70,831.

Energy Efficiency Portfolio

PEC has contracted with independent, third-party consultant, Navigant Consulting, to provide the appropriate M&V support, including the development and implementation of an evaluation plan designed to measure the demand and energy impacts of the energy efficiency portfolio.

Navigant is performing yearly program evaluations for Progress Energy Carolinas' energy efficiency portfolio, including all relevant impact and process evaluation services required to support program planning and implementation, system resource planning and forecasting, and regulatory filings.

Neighborhood Energy Saver Program, Residential Lighting Program, Appliance Recycling Program, Home Advantage Program, Home Energy Improvement Program, Energy Efficiency for Business Program and Residential Energy Efficient Benchmarking are the programs that make up the energy efficiency portfolio.

Provision (h)(1)(ii)c - Continued

M&V services to be performed through June 2013 for all energy efficiency portfolio programs include:

- Develop evaluation action plan
- Process evaluation interviews
- Collect program data
- Verify measure and persistence through on-site visits
- Program database review
- Data analysis
- Reporting

Rate period budget for EE portfolio M&V activities is summarized in the following table

Program	Rate Period Budget
Neighborhood Energy Saver	$117,252
Residential Lighting	$229,000
Appliance Recycling	$113,748
Home Advantage	$138,000
Home Energy Improvement	$250,000
Energy Efficiency for Business	$199,000
Residential Energy Efficient Benchmarking	$37,408

Provision (h)(1)(ii)d - Expected summer and winter peak demand reductions

(h) Filing Requirements and Procedure.

(1) PEC shall submit to ORS and the Commission all of the following information in its application:

(ii) For each DSM/EE program for which cost recovery is requested:

d. total expected summer and winter peak demand reduction per appropriate capacity, energy, and measure unit metric and in the aggregate;

The following tables provide estimated summer and winter cumulative peak demand reductions, at the meter, for the measures in which the Company is seeking cost recovery[1]. The reductions are provided by measure and in aggregate.

Expected Summer Peak Demand Reduction (MW)

	CIG DR	Energy Wise™	DSDR	Res Home Advantage	Res HEIP	Res Low Income	Res Light-ing	Res Appl. Recycl-ing	Res EE Bench-marki	CIG EE	CFL Pilot	SMB Energy Saver	Res New Const.	Total
2012	18.0	105.0	241.0	2.7	17.9	2.1	20.6	1.8	2.6	30.6	0.6	2.4	0.001	445.3
2013	23.0	126.9	246.1	2.7	22.5	2.7	25.6	2.6	2.1	42.8	0.6	6.1	0.003	503.7
2014	28.0	145.3	252.3	2.7	27.6	3.3	29.6	3.3	2.6	55.7	0.6	9.7	0.006	560.8
2015	33.0	160.3	257.7	2.7	32.2	4.0	32.6	3.9	1.9	69.3	0.6	13.4	0.008	611.6

Expected Winter Peak Demand Reduction (MW)[2]

	CIG DR	Energy Wise™	DSDR	Res Home Advantage	Res HEIP	Res Low Income	Res Light-ing	Res Appl. Recycl-ing	Res EE Bench-marki	CIG EE	CFL Pilot	SMB Energy Saver	Res New Const.	Total
2012	-	6.2	-	-	-	-	-	-	-	-	0.6	-	-	6.8
2013	-	7.4	-	-	-	-	-	-	-	-	0.6	-	-	8.0
2014	-	8.6	-	-	-	-	-	-	-	-	0.6	-	-	9.2
2015	-	9.6	-	-	-	-	-	-	-	-	0.6	-	-	10.2

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[1] Values associated with PEC's Residential Solar Hot Water Heating Program will be supplied upon completion of measurement and verification process.

[2] With the exception of PEC's EnergyWise™ program, PEC's DSM/EE measures are focused on its summer peak. The winter peak reductions associated with PEC's measures, including those from the EnergyWise™ program, will be determined through the measurement and verification (M&V) process. The Company's CFL Pilot benefits are based on M&V results.

Provision (h)(1)(ii)e - Expected energy reductions

(h) Filing Requirements and Procedure.

(1) PEC shall submit to ORS and the Commission all of the following information in its application:

(ii) For each DSM/EE program for which cost recovery is requested:

e. total expected energy reduction in the aggregate and per appropriate capacity, energy and measure unit metric

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The following table provides estimated cumulative energy reductions, at the meter, for the measures in which the Company is seeking cost recovery[1]. The reductions are provided both by measure and in aggregate.

Expected Energy Reductions (MWH)

	CIG DR	Energy Wise™	DSDR	Res Home Advantage	Res HEIP	Res Low Income	Res Light-ing	Res Appl. Recycl-ing	Res EE Bench-marki	CIG EE	CFL Pilot	SMB Energy Saver	Res New Const.	Total
2012	285	573	36,768	7,435	18,963	13,601	215,977	15,981	14,400	131,730	6,706	10,002	3,027	475,448
2013	375	679	56,137	7,435	24,470	17,777	268,749	22,306	11,520	181,950	6,706	25,002	8,811	631,918
2014	465	793	57,076	7,435	30,528	21,953	310,966	28,948	14,400	234,954	6,706	40,002	15,201	769,427
2015	555	887	57,896	7,435	35,980	26,129	342,629	33,930	10,800	290,958	6,706	55,002	21,910	890,817

[1] Values associated with PEC's Residential Solar Hot Water Heating Program will be supplied upon completion of measurement and verification process.

Provision (h)(1)(ii)f - Actual and estimated test period costs

(h) Filing Requirements and Procedure.

(1) PEC shall submit to ORS and the Commission all of the following information in its application:

(ii) For each DSM/EE program for which cost recovery is requested:

f. total expenses for the test period in the aggregate and broken down by type of expenditure per appropriate capacity, energy and measure unit metric and the proposed jurisdictional allocation factors

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For purposes of cost recovery through the DSM/EE rider, the Company's actual and estimated expenditures for the test period, April 1, 2011 through March 31, 2012, have been broken down by type of expenditure and are provided in the following table:

	Recoverable Expenditures (System Retail)					
Program / Measure	O&M[1]	Depreciation	Capital Costs	Income and General Taxes	PPI and Net Lost Revenue	Total Costs and Incentives
Demand-Side Management Programs						
CIG DR	1,620,589				125,778	1,746,367
EnergyWiseTM	12,144,266				1,079,783	13,224,049
DSDR Implementation[2]	8,408,046	5,589,111	8,083,996	4,619,798	-	26,700,951
Energy Efficiency Programs						
Res Home Advantage	1,593,953				446,613	2,040,566
Res Home Energy Improvement	6,524,113				1,029,268	7,553,381
Residential Low Income[3]	2,043,925				478,139	2,522,064
CIG Energy Efficiency	8,843,138				6,477,845	15,320,983
Solar Hot Water Pilot	109,019				-	109,019
Residential Lighting	6,060,056				8,262,048	14,322,104
Res Appliance Recycling	1,308,454				597,480	1,905,934
Residential EE Benchmarking	761,639				610,686	1,372,325
Home Depot CFL	-				72,178	72,178
Small Business Direct Install	25,305				-	25,305
Residential New Construction	5,645				-	5,645
Program Subtotals	49,448,148	5,589,111	8,083,996	4,619,798	19,179,818	86,920,871
Administrative and General						2,517,642
Carrying Costs with Income Taxes						7,095,332
Expenditure Totals						96,533,845

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[1] The listed O&M expenses will be recovered through the DSM/EE Rider over a ten-year period except where otherwise indicated.

[2] The DSDR program does not include Program Performance Incentives (PPI). While amounts for net lost revenues are applicable, PPI amounts are not.

[3] The Residential Low Income Program does not include amounts for PPI. While amounts for net lost revenues are applicable, PPI amounts are not being requested by the Company.

Provision (h)(1)(ii)f – *Continued*

For purposes of cost recovery through the South Carolina DSM/EE rider, the Company's actual and estimated expenses for the test period, April 1, 2011 through March 31, 2012, have been broken down for South Carolina jurisdictional retail customers by type of expenditure and are provided in the following table:

	Recoverable Expenditures (South Carolina Retail)					
Program / Measure	O&M[4]	Depreciation	Capital Costs	Income and General Taxes	PPI and Net Lost Revenue	Total Costs and Incentives
Demand-Side Management Programs						
CIG DR	219,517				17,244	236,761
EnergyWiseTM	1,645,552				148,038	1,793,590
DSDR Implementation	1,149,209	764,582	1,105,912	753,310	-	3,773,013
Energy Efficiency Programs						
Res Home Advantage	230,738				64,804	295,542
Res Home Energy Improvement	944,562				149,347	1,093,909
Residential Low Income	295,950				69,378	365,328
CIG Energy Efficiency	1,280,888				939,935	2,220,823
Solar Hot Water Pilot[3]	15,780				-	15,780
Residential Lighting[1]	877,306				1,198,823	2,076,129
Res Appliance Recycling	189,441				86,694	276,135
Residential EE Benchmarking[2]	110,217				88,610	198,827
Home Depot CFL	-				10,473	10,473
Small Business Direct Install	3,662				-	3,662
Residential New Construction	817				-	817
Program Subtotals	6,963,639	764,582	1,105,912	753,310	2,773,347	12,360,790
Administrative and General						356,734
Carrying Costs with Income Taxes						1,088,140
Expenditure Totals						13,805,664

[1] O&M expenses for the Residential Lighting Program will be recovered through the DSM/EE Rider over a five-year period.

[2] O&M expenses for the Residential EE Benchmark Program are not subject to deferral.

[3] PPI and net lost revenue recoveries were not requested by the Company for its Residential Solar Hot Water Heating Pilot Program.

[4] The DSDR program does not include Program Performance Incentives (PPI). While amounts for net lost revenues are applicable, PPI amounts are not.

Provision (h)(1)(ii)f – *Continued*

The following table provides the program costs, excluding Program Performance Incentives and the recovery of net lost revenues, per appropriate capacity, energy and measure unit metric, over the various program lives. It is important to note that unitized costs will vary from year to year and should be viewed over program lives. Program cost estimates over the life of the program were supplied with the Company's original program applications.

Program / Measure	System Costs	DSM Costs / (MW x Years)[1]	EE Costs / (MWH x Years)[2]
Demand-Side Management Programs (Calculated on EOY 2012 MW Capabilities - at the meter)			
CIG DR	1,746,367	$4,128	NA
EnergyWise™	13,224,049	$4,297	NA
DSDR Implementation[1]	26,700,951	$3,693	NA
Energy Efficiency Programs (Calculated Using Test Period MWH Savings - at the meter)			
Res Home Advantage	2,040,566	NA	$31
Res Home Energy Improvement	7,553,381	NA	$84
Residential Low Income[2]	2,522,064	NA	$56
CIG Energy Efficiency	15,320,983	NA	$38
Solar Hot Water Pilot[5]	109,019	NA	NA
Residential Lighting[3]	14,322,104	NA	$28
Res Appliance Recycling	1,905,934	NA	$35
Residential EE Benchmarking[4]	1,372,325	NA	$99
Home Depot CFL	NA	NA	NA
Small Business Direct Install	25,305	NA	NA
Residential New Construction	5,645	NA	NA

The Company's proposed jurisdictional allocation factors for the test period, April 1, 2010 through March 31, 2011, are provided in attached Appendix B.

[1] The Residential Low Income Program does not include amounts for PPI. While amounts for net lost revenues are applicable, PPI amounts are not being requested by the Company.

[2] O&M expenses for the Residential Lighting Program will be recovered through the DSM/EE Rider over a five-year period

[3] O&M expenses for the Residential EE Benchmark Program are not subject to deferral.

[4] PPI and net lost revenue recoveries were not requested by the Company for its Residential Solar Hot Water Heating Pilot Program.

Provision (h)(1)(ii)g – Test period costs associated with measures

(h) Filing Requirements and Procedure.

(1) PEC shall submit to ORS and the Commission all of the following information in its application:

(ii) For each DSM/EE program for which cost recovery is requested:

g. total costs that PEC incurred for the test period as a direct result of the measure in the aggregate and broken down by type of cost per appropriate capacity, energy and measure unit metric, and the proposed jurisdictional allocation factors, as well as any changes in the estimated future amounts since last filed with the Commission;

The total costs that PEC incurred for the test period as a direct result of the measure in the aggregate and broken down by type of cost per appropriate capacity, energy and measure unit metric are provided in the table on the preceding page. A further breakdown of unit metrics associated with test period activity is provided on attached Appendix C. PEC's proposed jurisdictional allocation factors have been provided on attached Appendix B. In terms of variations in estimated future amounts, PEC is currently unaware of any material differences associated with its offerings.

Provision (h)(1)(ii)h - Measurement and verification activities for test period

(h) Filing Requirements and Procedure.

(1) PEC shall submit to ORS and the Commission all of the following information in its application:
(ii) For each DSM/EE program for which cost recovery is requested:
h. a description of, the results of, and the costs of all measurement and verification activities conducted in the test period;

Demand Side Management Portfolio

DSDR

Measurement and verification for the Smart Grid – DSDR Program will be determined by utilizing recorded data obtained from the System Energy Control Center and the Distribution Control Center. This data analysis will not be performed by a third party; therefore there is no third-party incremental costs expended to perform anticipated measurement and verification activities during the test period.

EnergyWise℠

PEC has contracted with independent, third-party consultant, Navigant Consulting, to provide the appropriate M&V support, including the development and implementation of an evaluation plan designed to measure the demand and energy impacts of the EnergyWise℠ program.

Navigant is continuing a multi-year program evaluation plan for Progress Energy Carolinas' EnergyWise℠ program that was begun by another third party consultant, KEMA, including all relevant impact and process evaluation services required to support continued program planning and implementation, system resource planning and forecasting, and regulatory filings.

M&V services to be performed through March 2012 include:

- Collect program data
- Process evaluation interviews
- Verify measure and persistence through on-site visits
- Collect interval data
- Program database review
- Benchmarking research
- Dispatch optimization modeling
- Data analysis
- Reporting

Total cost of EnergyWise℠ M&V activities for the test period through March 2012 is $253,892.

Provision (h)(1)(ii)h – *Continued*

CIG Demand Response Program

PEC has contracted with independent, third-party consultant, Navigant Consulting, to provide the appropriate M&V support, including the development and implementation of an evaluation plan designed to measure the demand and energy impacts of the CIG Demand Response program.

Navigant is performing yearly evaluations for Progress Energy Carolinas' CIG Demand Response program, including all relevant impact and process evaluation services required to support program planning and implementation, system resource planning and forecasting, and regulatory filings.

M&V results for the program year 2010 are contained in the CIG Demand Response EM&V report dated December 27, 2011 filed on January 3, 2012 in Docket 2008-251-E.

M&V services performed through March 2012 include:

- Process evaluation interviews
- Verify measure and persistence through on-site visits
- Collect interval data
- Market research for DR benchmarking study
- Program database review
- Data analysis
- Reporting

Total cost of CIG Demand Response M&V activities for the test period through March 2012 is $105,194.

Energy Efficiency Portfolio

PEC has contracted with independent, third-party consultant, Navigant Consulting, to provide the appropriate M&V support, including the development and implementation of an evaluation plan designed to measure the demand and energy impacts of the energy efficiency portfolio.

Navigant is performing yearly program evaluations for Progress Energy Carolinas' energy efficiency portfolio, including all relevant impact and process evaluation services required to support program planning and implementation, system resource planning and forecasting, and regulatory filings.

Neighborhood Energy Saver Program, Residential Lighting Program, Appliance Recycling Program, Home Advantage Program, Home Energy Improvement Program, Energy Efficiency for Business Program and Residential Energy Efficient Benchmarking are the programs that make up the energy efficiency portfolio.

Provision (h)(1)(ii)h – *Continued*

Neighborhood Energy Saver Program

M&V services performed through March 2012 include:

- Process evaluation interviews
- Verify measure and persistence through on-site visits
- Collect program data
- Program database review
- Data analysis
- Reporting

Residential Lighting Program

M&V services performed through March 2012 include:

- Process evaluation interviews
- Verify measure and persistence through on-site visits
- Collect program data
- Program database review
- Data analysis
- Reporting

Appliance Recycling Program

M&V results for the program year 2010 are contained in the Appliance Recycling Program EM&V report dated December 21, 2011 filed on January 3, 2012 in Docket 2008-251-E.

M&V services performed through March 2012 include:

- Process evaluation interviews
- Verify measure and persistence through on-site visits
- Collect program data
- Program database review
- Data analysis
- Reporting

Provision (h)(1)(ii)h – *Continued*

Home Advantage Program

M&V results for the program year 2009 are contained in the Home Advantage Program EM&V report dated August 29, 2011 filed on September 14, 2011 in Docket 2008-251-E.

M&V services performed through March 2012 include:

- Process evaluation interviews
- Verify measure and persistence through on-site visits
- Collect program data
- Program database review
- Data analysis
- Reporting

Home Energy Improvement Program

M&V results for the program year 2009 are contained in the Home Energy Improvement Program EM&V report dated April 11, 2011 filed on May 3, 2011 in Docket 2008-251-E.

M&V services performed through March 2012 include:

- Process evaluation interviews
- Verify measure and persistence through on-site visits
- Collect program data
- Program database review
- Data analysis
- Reporting

Energy Efficiency for Business Program

M&V results for the program year 2009 are contained in the Energy Efficiency for Business EM&V report dated July 18, 2011 filed on July 25, 2011 in Docket 2008-251-E.

M&V services performed through March 2012 include:

- Process evaluation interviews
- Verify measure and persistence through on-site visits
- Collect program data
- Program database review
- Data analysis
- Reporting

Provision (h)(1)(ii)h – *Continued*

Residential Energy Efficient Benchmarking Program

M&V services performed through March 2012 include:

- Develop evaluation action plan
- EM&V plan dated January 6, 2012 filed on January 6, 2012 in Docket 2008-251-E

Test period costs for EE portfolio M&V activities is summarized in the following table

Program	Rate Period Budget
Neighborhood Energy Saver	$103,768
Residential Lighting	$256,981
Appliance Recycling	$71,207
Home Advantage	$37,732
Home Energy Improvement	$81,436
Energy Efficiency for Business	$217,199
Residential Energy Efficient Benchmarking	$1,211

Provision (h)(1)(ii)i - Test period summer and winter peak demand reductions

(h) Filing Requirements and Procedure.

(1) PEC shall submit to ORS and the Commission all of the following information in its application:

(ii) For each DSM/EE program for which cost recovery is requested:

i. total summer and winter peak demand reduction per appropriate capacity, energy, and measure unit metric and in the aggregate, as well as any changes in estimated future amounts;

The information associated with this section has been supplied as a part of Provision (h)(1)(ii)m.

Provision (h)(1)(ii)j - Test period energy reductions

(h) Filing Requirements and Procedure.

(1) PEC shall submit to ORS and the Commission all of the following information in its application:

(ii) For each DSM/EE program for which cost recovery is requested:

j. total energy reduction in the aggregate and per appropriate capacity, energy and measure unit metric, as well as any changes in the estimated future amounts since last filed with the Commission;

The information associated with this section has been supplied as a part of Provision (h)(1)(ii)m and within attached Appendix C.

Provision (h)(1)(ii)k - Test period findings and results of measures

(h) Filing Requirements and Procedure.

(1) PEC shall submit to ORS and the Commission all of the following information in its application:
(ii) For each DSM/EE program for which cost recovery is requested:
k. a discussion of the findings and the results of the program or measure;

Neighborhood Energy Saver

The Neighborhood Energy Saver (NES) Program was launched in October 2009 to provide information and energy conservation measures to encourage and reduce energy consumption and costs in low-income homes. A comprehensive package of energy conservation measures is installed in the homes of low-income families to assist them in reducing their overall energy use and household energy costs. The Program has served 10,177 participants from its inception through December 2011. The program has experienced greater than expected program participation with over 85% of the eligible residents choosing to participate and receive the services.

Participation success can be attributed to the efforts made in advance to disseminate information about the program to residents, working with the local community leaders and advocacy groups, and the work of the installer teams to ensure every resident's home has been contacted.

A challenge of the program is the timely preparation of the next neighborhood so that the installation team can move from one neighborhood to the next without 'downtime'. However, the Program has been successful meeting the manpower needs with minimal interruption.

Home Advantage Program

The Home Advantage Program was launched in January 2009 to encourage home builders and residential developers to build to ENERGY STAR standards. While participation was nominal in 2009 partially as a result of the recession and the distressed housing industry, participation levels rebounded in 2010. Through year end 2011, 3,143 homes have been built to Home Advantage standards, capturing ~70% of the Energy Star Homes built to date.

Program success can be attributed to the marketing and sales advantages Energy Star homes benefit from, the utility incentives that builders successfully utilize to offset added construction costs, the support provided by various energy management consulting firms (HERS raters) in our established markets, and a subtle recovery in the regional housing market. Additionally, multifamily developers and production builders who maintain substantial buying power in their supplier markets have been able to mitigate the additional costs associated with the purchase of

Provision (h)(1)(ii)k – *Continued*

higher efficiency HVAC systems. Both sectors have successfully implemented the Home Advantage program into their development strategy.

With the increase in Energy Star standards starting 2012, the program is no longer cost effective. As a result, the program will only accept rebate applications for homes that were permitted before March 1, 2012 and completed by February 28, 2013. The Home Advantage program will be replaced by a new program, anticipated to be filed first quarter of 2012.

Residential Lighting Program

The Residential Lighting Program launched in January of 2010. This program works through Compact Fluorescent Light (CFL) bulb manufacturers and retailers to offer discounts to PEC customers at the register on CFLs. Participation levels for the first twelve months of the program were higher than originally forecasted. This success can be attributed to high customer interest in energy efficiency, low socket penetration of CFLs in the PEC territory and effective promotion of the program in the marketplace.

The second year of the program experienced less robust sales as a result of decreased incentive levels, retail price increases due to rare earth component costs and the general economic slowdown. Even with these factors, the program moved over 6.5 million bulbs over the two years. This is over a million more bulbs than originally projected in the program filing. As the industry moves in the coming years to offer products that meet new efficiency standards, the PEC Residential Lighting Program plans to continue to encourage customers to adopt energy efficient lighting through incentives on a wider range of products, including LEDs and fixtures. Customer education will be imperative to ensure customers are purchasing the right bulb for the application in order to obtain high satisfaction with lighting products.

Appliance Recycling Program

The Appliance Recycling Program was launched in mid-April of 2010. Participation levels to date are lower than anticipated, but the program to date has recycled 14,075 units. Overall program success can be attributed to higher customer interest in energy efficiency, PEC's rebates, and customer acceptance and appreciation of the recycling benefits of the program for the environment. Since this is a retirement program, a challenge is reaching those customers with second refrigerators / freezers to encourage them to recycle them. It is also recognized that the lifestyle and habits of PEC customers are likely having a negative impact on program participation due to the longstanding tradition of having a secondary refrigerator for cold storage of food and beverages.

Provision (h)(1)(ii)k – *Continued*

Solar Water Heating Pilot Program

The Solar Water Heating Pilot Program launched in June 2009. The purpose of the program was to determine and validate achievable energy savings associated with residential solar water heating technologies. Installation of monitoring equipment began in July 2010 and was complete by September 13, 2010. Initial summer data collection efforts began in August 2010 and monitoring was completed in August 2011.

For more information on the results of the pilot, refer to the report filed with the commission on February 20, 2012 (See Docket No. 2008-251-E).

Home Energy Improvement Program

The Home Energy Improvement Program was launched in July of 2009. The purpose of this program is to offer customers a variety of energy conservation measures designed to increase energy efficiency in existing residential dwellings.

The program utilizes a network of over 800 prequalified contractors from a list provided by Company to install energy efficiency measures. Program to date, ~67,000 measures have been installed. The overall program success can be attributed to higher customer interest in energy efficiency, customers capitalizing on the 2010 federal tax credits in conjunction with PEC's rebates, and promotion of the program by contractor acceptance.

HEIP will be making modifications to current incentives, removing measures as a result of third party EM&V and legislation, and adding additional measures pending approval. Promotion of the program includes consumer and contractor program flyers, direct mail, bill inserts, email blasts, trade shows to consumers and contractor collateral to support contractor network. The current economy will likely have a negative impact on program participation due to less disposable income and currently no 2012 federal tax credit incentive, which makes it harder to justify energy efficiency improvements with longer term paybacks.

Energy Efficiency for Business (EEB) Program

The Energy Efficiency for Business (EEB) program promotes energy efficient construction and retrofit in Progress Energy's commercial, industrial, and governmental markets. During its third full year of operation, the program exceeded expectations and savings targets. Large customer interest in the EEB program has decreased slightly due to continued increases in the Rider cost during 2011. Though large customer interest has declined, the program continues to be sustained by strong participation from small and mid-sized commercial customers, especially in the retrofit portion of the program. The poor economy, that had dampened customer interest in new building construction since program inception, began to show signs of life in 2011,

Provision (h)(1)(ii)k – *Continued*

spurring customer applications for new construction incentives and for technical assistance dollars. Lighting continued to be the primary program impact driver in 2011. Customer feedback continued to tout EEB's technical assistance incentives as a key enabler for customers looking to implement efficiency projects. The vast majority of customers who have applied for technical assistance have subsequently implemented energy efficiency projects.

Additional MWh savings in 2011 can be attributed to greater customer knowledge of EEB, and the maturation of the program's trade ally network. Despite these positive developments, PEC has decreased its projected EEB MWh savings contribution going forward from 2013, based on the expectation of a continued negative impact on large customer participation due to the rising DSM/EE rider. During program development, there was considerable uncertainty regarding how the rider may affect program participation over time. After three full years of program performance, PEC now has a better sense of the negative impact an increasing rider poses to EEB program.

Residential Load Control Program (EnergyWise^{SM})

The summer program (air conditioning load control), which is available to eligible customers system-wide, has experienced a participation level for the test period that has been right at or slightly above the Company's expectations. Response rate to the direct mail campaign has averaged 1.0% for the test period. The primary form of enrollment continues to be through business reply cards, which has constituted 70% of all enrollments. The remainder of enrollments has been through inbound telephone calls at 19% and online web enrollments at 11%. The summer program was activated eight times during the test period in response to system reliability alerts under General Load Reduction Plan (GLRP), economic dispatch, and system testing.

The winter program (load control of water heating and auxiliary heat strips on central electric heat pumps) is available to PEC's Western region customers only. The program's participation levels for the test period have been below the Company's expectations. Response rate to the direct mail campaign has been fair to poor at 0.6%. Acquiring these loads even after enrollment has been a challenge since the load control switch installation requires a customer appointment to enter the home. Of all customers enrolling via the direct mail business reply card (BRC), approximately 20% either did not respond to outbound telephone calls to schedule an appointment, rescheduled multiple times, or cancelled an appointment all together. Enrollment to acquisition rate has also been diluted by a higher than expected percentage of customer equipment in poor condition and/or in need of repair and customers who are unaware of their energy source for water and space heating. Though the resource is small at ~5 MW, it was activated one time during the test period in the winter months in response to a Level 2 system reliability alert under the PEC General Load Reduction Plan (GLRP).

Provision (h)(1)(ii)k – *Continued*

CIG DR (Demand Response Automation)

Participation in the Demand Response Automation program has been below the Company's expectations. 5 customers at 5 customer sites were enrolled in the program during the test period, accounting for ~4.5 MW of contracted curtailable demand bringing the total program to ~13.5 MW. 78% of the contracted curtailable demand in the program thus far has been from opt-out eligible customers. The opt-out clause and DSM/EE rider requirement continues to be a market barrier to customer participation. A new and more significant barrier was introduced in spring of 2010 with the EPA NESHAP (National Emissions Standards for Hazardous Air Pollutants) ruling on existing emergency generators. This recent ruling limits existing emergency backup generators that are manufactured on or before 2006 to 15 hours of operation in demand response programs. Participation in DRA can range from a minimum of 18 to a maximum of 80 hours of operation, thus classifying a participating generator as "non-emergency". This imposes more stringent air quality requirements, additional cost, and administrative burden on potential participants. The industry generally agrees that the 15 hour limitation within the EPA rule is too short. PEC is currently collaborating with EEI, third-party aggregators, and other utilities to provide comment and influence future EPA rulemaking. The objective is to revise the rule such that hours of operation for an existing generator on a demand response program is 60 hours. Additional comments from PEC include extension of RICE NESHAP compliance to May 2014, and that all generators used for demand response operations should be considered emergency and not subject to limits on use. Approximately 65% of the MW's enrolled in the program have come from customers that can backup their curtailable demand with standby generation. The remaining committed load is straight curtailment, typically from shutdown of processes from participating industrial customers. The program was activated four times during the test period in response to minimum event requirements of the program tariff and system reliability alerts under the PEC General Load Reduction Plan (GLRP).

DSDR

During the twelve month period ending March 31, 2012, DSDR was not activated except for testing. The full potential of DSDR activations will be realized when its DMS capabilities are up and running later this year. The expected peak demand reductions and MWh savings for DSDR have changed somewhat due to revisions in the implementation schedule for feeder conditioning, delays in the implementation schedule for DMS, as well as changes in the expected line loss savings resulting from changes in the feeder conditioning design requirements.

Provision (h)(1)(ii)l - Evaluation of event based measure during test period

(h) Filing Requirements and Procedure.

(1) PEC shall submit to ORS and the Commission all of the following information in its application:

(ii) For each DSM/EE program for which cost recovery is requested:

l. evaluations of event-based programs including the date, weather conditions, event trigger, number of customers notified and number of customers enrolled;

DSDR

During the twelve month period ending March 31, 2012, DSDR was not activated except for testing. The full potential of DSDR activations will be realized when its DMS capabilities are up and running later this year.

Residential Load Control Program (EnergyWise™)

The following table provides information on load control occurrences associated with PEC's EnergyWise℠ program covering the twelve month period ending March 31, 2012:

Date	Weather Conditions	Event Trigger[1]	Control Mode	Switches Activated	Number of Customers Controlled	Number of Customers Enrolled
May-31-11	98.0° F	GLRP System Reliability Alert	AC Units	68,746	57,662	AC - 57662
Jun-01-11	93.0° F	GLRP System Reliability Alert	AC Units	68,831	57,732	AC - 57732
Jul-12-11	98.0° F	Economic	AC Units	70,632	61,292	AC - 61292
Jul-22-11	100.0° F	Economic	AC Units	71,706	62,230	AC - 62230
Jul-29-11	100.0° F	Economic	AC Units	72,396	62,829	AC - 62829
Aug-04-11	95.0° F	Economic	AC Units	72,862	63,244	AC - 63244
Aug-08-11	96.0° F	Economic	AC Units	72,999	63,366	AC - 63366
Aug-25-11	91.0° F	Testing	AC Units	74,605	64,803	AC - 64803
Jan-04-12	15.0° F	GLRP Reliability Level 2	Water Heaters	3,581	3,479	WH - 3479
Jan-04-12	15.0° F	GLRP Reliability Level 2	Heat Strips	2,471	2,213	HS - 2213

[1] GLRP - General Load Reduction Plan

Provision (h)(1)(ii)l – *Continued*

CIG DR (Demand Response Automation)

The following table provides information on load control occurrences associated with PEC's CIG Demand Response Automation program covering the twelve month period ending March 31, 2012:

Date	Weather Conditions	Event Trigger[1]	Control Mode	Points of Delivery Controlled	Number of Customers Controlled	Number of Customers Enrolled
Jul-12-11	98.0° F	Minimum Event Requirement	NA	39	14	14
Jul-22-11	100.0° F	Minimum Event Requirement	NA	39	14	14
Aug-08-11	96.0° F	Minimum Event Requirement	NA	39	14	14
Jan-04-12	15.0° F	GLRP System Reliability Alert	NA	5	2	14

[1] GLRP - General Load Reduction Plan

Provision (h)(1)(ii)m – Comparison of impact estimates

(h) Filing Requirements and Procedure.

(1) PEC shall submit to ORS and the Commission all of the following information in its application:

(ii) For each DSM/EE program for which cost recovery is requested:

m. a comparison of impact estimates presented in the measure application from the previous year, those used in reporting for previous measure years, and an explanation of significant differences in the impacts reported and those previously found or used;

The Company's current impact estimate of capacity savings, estimated savings used in its previous report, and their differences, expressed in megawatts at the meter, are provided in the following tables. Explanations of variances are provided in Provision(h)(1)(ii)k:

Forecasted Summer Capacity Values from Docket No. 2011-181-E

	CIG DR	Energy Wise™	DSDR	Res Home Advantage	Res HEIP	Res Low Income	Res Light-ing	Res Appl. Recycl-ing	Res EE Bench-marki	CIG EE	CFL Pilot	SMB Energy Saver	Res New Const.	Total
2011	23.7	93.5	108.0	2.2	12.6	1.4	14.3	1.7	2.6	20.2	0.6	-	-	280.8
2012	37.7	133.5	241.0	4.2	18.4	2.0	20.6	3.5	2.6	31.2	0.6	-	-	495.3
2013	51.8	170.6	248.8	7.1	24.8	2.7	25.7	5.5	2.1	43.4	0.6	-	-	583.1
2014	65.8	207.7	257.4	10.6	31.8	3.3	29.8	7.9	2.6	56.3	0.6	-	-	673.8

Actual and Anticipated Summer Capacity Values[1]

	CIG DR	Energy Wise™	DSDR	Res Home Advantage	Res HEIP	Res Low Income	Res Light-ing	Res Appl. Recycl-ing	Res EE Bench-marki	CIG EE	CFL Pilot	SMB Energy Saver	Res New Const.	Total
2011	12.6	91.8	105.0	2.3	13.0	1.5	14.3	1.2	2.5	19.6	0.6	-	-	264.4
2012	18.0	105.0	241.0	2.7	17.9	2.1	20.6	1.8	2.6	30.6	0.6	2.4	0.001	445.3
2013	23.0	126.9	246.1	2.7	22.5	2.7	25.6	2.6	2.1	42.8	0.6	6.1	0.003	503.7
2014	28.0	145.3	252.3	2.7	27.6	3.3	29.6	3.3	2.6	55.7	0.6	9.7	0.006	560.8

Differences Between Previous and Updated Summer Capacity Values

	CIG DR	Energy Wise™	DSDR	Res Home Advantage	Res HEIP	Res Low Income	Res Light-ing	Res Appl. Recycl-ing	Res EE Bench-marki	CIG EE	CFL Pilot	SMB Energy Saver	Res New Const.	Total
2011	(11.1)	(1.7)	(3.0)	0.1	0.4	0.1	-	(0.5)	(0.1)	(0.6)	-	-	-	(16.4)
2012	(19.7)	(28.5)	-	(1.5)	(0.5)	0.1	-	(1.7)	-	(0.6)	-	2.4	0.0	(50.0)
2013	(28.8)	(43.7)	(2.7)	(4.4)	(2.3)	-	(0.1)	(2.9)	-	(0.6)	-	6.1	0.0	(79.4)
2014	(37.8)	(62.4)	(5.1)	(7.9)	(4.2)	-	(0.2)	(4.6)	-	(0.6)	-	9.7	0.0	(113.0)

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[1] Values associated with PEC's Residential Solar Hot Water Heating Program will be supplied upon completion of measurement and verification process.

Provision (h)(1)(ii)m - *Continued*

Forecasted Winter Capacity Values from Docket No. 2010-181-E

	CIG DR	Energy Wise™	DSDR	Res Home Advantage	Res HEIP	Res Low Income	Res Light-ing	Res Appl. Recycl-ing	Res EE Bench-marki	CIG EE	CFL Pilot	SMB Energy Saver	Res New Const.	Total
2011	-	5.3	-	-	-	-	-	-	-	-	0.7	-	-	6.0
2012	-	7.4	-	-	-	-	-	-	-	-	0.7	-	-	8.1
2013	-	9.5	-	-	-	-	-	-	-	-	0.7	-	-	10.2
2014	-	11.7	-	-	-	-	-	-	-	-	0.7	-	-	12.4

Actual and Anticipated Winter Capacity Values[1]

	CIG DR	Energy Wise™	DSDR	Res Home Advantage	Res HEIP	Res Low Income	Res Light-ing	Res Appl. Recycl-ing	Res EE Bench-marki	CIG EE	CFL Pilot	SMB Energy Saver	Res New Const.	Total
2011	-	5.0	-	-	-	-	-	-	-	-	0.6	-	-	5.6
2012	-	6.2	-	-	-	-	-	-	-	-	0.6	-	-	6.8
2013	-	7.4	-	-	-	-	-	-	-	-	0.6	-	-	8.0
2014	-	8.6	-	-	-	-	-	-	-	-	0.6	-	-	9.2

Differences Between Previous and Updated Winter Capacity Values

	CIG DR	Energy Wise™	DSDR	Res Home Advantage	Res HEIP	Res Low Income	Res Light-ing	Res Appl. Recycl-ing	Res EE Bench-marki	CIG EE	CFL Pilot	SMB Energy Saver	Res New Const.	Total
2010	-	(0.3)	-	-	-	-	-	-	-	-	(0.1)	-	-	(0.4)
2011	-	(1.2)	-	-	-	-	-	-	-	-	(0.1)	-	-	(1.3)
2012	-	(2.1)	-	-	-	-	-	-	-	-	(0.1)	-	-	(2.2)
2013	-	(3.1)	-	-	-	-	-	-	-	-	(0.1)	-	-	(3.2)

[1] Values associated with PEC's Residential Solar Hot Water Heating Program will be supplied upon completion of measurement and verification process.

Provision (h)(1)(ii)m - *Continued*

The Company's current impact estimate of energy savings, estimated savings used in its previous report, expressed in megawatt hours at the meter, and their differences are provided in the following tables.

Forecasted Energy Values from Docket No. 2010-181-E

	CIG DR	Energy Wise™	DSDR	Res Home Advantage	Res HEIP	Res Low Income	Res Light-ing	Res Appl. Recycl-ing	Res EE Bench-marki	CIG EE	CFL Pilot	SMB Energy Saver	Res New Const.	Total
2011	317	333	30,275	6,242	13,511	9,119	150,739	10,334	14,400	89,806	6,706	-	-	331,782
2012	570	626	54,931	11,426	20,520	13,295	217,774	18,210	14,400	134,983	6,706	-	-	493,441
2013	823	834	56,082	19,174	28,229	17,471	271,402	27,582	11,520	185,200	6,706	-	-	625,023
2014	1,076	1,236	57,194	28,303	36,710	21,647	314,304	38,528	14,400	238,200	6,706	-	-	758,304

Actual and Anticipated Energy Values[1]

	CIG DR	Energy Wise™	DSDR	Res Home Advantage	Res HEIP	Res Low Income	Res Light-ing	Res Appl. Recycl-ing	Res EE Bench-marki	CIG EE	CFL Pilot	SMB Energy Saver	Res New Const.	Total
2011	266	512	25,229	6,236	13,532	9,425	150,013	9,934	13,806	86,550	6,706	-	-	322,210
2012	285	573	36,768	7,435	18,963	13,601	215,977	15,981	14,400	131,730	6,706	10,002	3,027	475,448
2013	375	679	56,137	7,435	24,470	17,777	268,749	22,306	11,520	181,950	6,706	25,002	8,811	631,918
2014	465	793	57,076	7,435	30,528	21,953	310,966	28,948	14,400	234,954	6,706	40,002	15,201	769,427

Differences Between Previous and Updated Energy Values

	CIG DR	Energy Wise™	DSDR	Res Home Advantage	Res HEIP	Res Low Income	Res Light-ing	Res Appl. Recycl-ing	Res EE Bench-marki	CIG EE	CFL Pilot	SMB Energy Saver	Res New Const.	Total
2011	(51)	179	(5,046)	(5)	21	306	(725)	(400)	(594)	(3,256)	-	-	-	(9,570)
2012	(284)	(53)	(18,163)	(3,992)	(1,557)	306	(1,796)	(2,229)	-	(3,253)	-	10,002	3,027	(17,992)
2013	(447)	(154)	55	(11,739)	(3,759)	306	(2,653)	(5,275)	-	(3,250)	-	25,002	8,811	6,897
2014	(610)	(443)	(118)	(20,868)	(6,181)	306	(3,338)	(9,579)	-	(3,246)	-	40,002	15,201	11,124

[1] Values associated with PEC's Residential Solar Hot Water Heating Program will be supplied upon completion of measurement and verification process.

Provision (h)(1)(ii)n – Determination of utility incentives

(h) Filing Requirements and Procedure.

(1) PEC shall submit to ORS and the Commission all of the following information in its application:

(ii) For each DSM/EE program for which cost recovery is requested:

n. a detailed explanation of the calculation of the PPI, the actual calculation of the proposed PPI, and the proposed method of providing for their recovery and true-up through the annual rider;

The Company is requesting recovery of (1) net lost revenues, and (2) program performance incentives to create future benefits based on achieved savings from Demand-Side Management (DSM) and Energy Efficiency (EE) programs. The cost recovery mechanism is based upon the Settlement Agreement as approved by the Commission in Docket No. 2008-251-E, and has been summarized below. The specific calculations associated with these amounts are included as a part of the Company's supporting workpapers.

A. Net Lost Revenues

Net lost revenues are determined by multiplying lost sales by a net lost revenue rate.

Net Lost Revenues = Lost Sales X Net Lost Revenue Rate

Lost Sales are those sales that do not occur by virtue of employing the DSM/EE measures. These values are initially based on estimates and subsequently confirmed through the measurement and verification (M&V) process.

Net Lost Revenue Rate is the difference between the average retail rate applicable to the customer class impacted by the measure and (1) the related customer charge component of that rate, (2) the fuel component of the rate, and (3) the incremental variable O&M rate. When multiple customer classes are impacted by the DSM/EE measures, a weighted or system wide net lost revenue rate is employed. The recovery of net lost revenues applicable to a given vintage year shall be recovered through the DSM/EE rider only for the first 36 months after the installation of the measurement unit. Thereafter, recovery of Net Lost Revenues shall end.

B. Incentive to Create Future Benefits

DSM and EE Program Performance Incentives (PPI)

For DSM programs, the PPI to be recovered for a given measurement unit and vintage year shall be equal to 8% of the net present value of the DSM program savings based upon the Utility Cost Test ("UCT"). For EE programs, the PPI to be recovered for a given measurement unit and vintage year shall be equal to 13% of the net present value of the EE program savings based upon the UCT. The UCT is an industry standard test, which compares the costs incurred by a utility in offering a DSM/EE program to the benefits as measured by the costs avoided by the utility.

Provision (h)(1)(ii)n - *Continued*

The PPI is converted into a stream of ten (10) levelized annual payments, accounting for and incorporating PEC's overall weighted average net-of tax rate of return approved in PEC's most recent general rate case as the appropriate discount rate.

Pursuant to the Docket No. 2008-251-E based Settlement Agreement, the amount of the PPI ultimately to be recovered for a given program or measure and vintage year shall be trued-up so that the PPI is based on the actual net savings derived from all measurement units specific to the program or measure.

South Carolina jurisdictional estimated lost sales quantities for the Company's system are provided in the following table. They have been segmented into the recovery periods.

Program / Measure	Sales Loss For Purposes of Lost Revenue Calculation (kWh) – South Carolina	
	Test Period (4/1/11 through 3/31/12)	Rate Period (7/1/12 through 6/30/13)
Demand-Side Management Programs		
CIG DR[1]	36,247	-
EnergyWise[1]	68,826	-
DSDR Implementation[1]	-	-
Energy Efficiency Programs		
Res Home Advantage	778,981	945,889
Res Home Energy Improve.	1,862,686	2,416,546
Residential Low Income-NES	1,202,070	1,816,458
Residential Lighting	18,101,508	29,342,353
Res Appliance Recycling	1,300,837	2,244,417
Residential EE Benchmark	1,520,361	4,106,634
Solar Hot Water Heating Pilot	-	-
CIG Energy Efficiency	11,845,575	16,322,454
CFL Pilot	-	-
Small Business Energy Saver	-	1,422,890
	-	457,701
Total Reduction in Energy (kWh)	36,717,091	59,075,341

[1] Net lost revenues for event based measures are based on actual events as opposed to estimated occurrences.

Provision (h)(1)p(ii)n - *Continued*

The following table provides calculated South Carolina jurisdictional utility incentives for the Company's test period (4/1/11 through 3/31/12). The PPI values encompass program results associated with program vintages 2009, 2010 and 2011.

Program / Measure	Utility Incentives (South Carolina Only) – Test Period (4/1/11 through 3/31/12)			
	Net Lost Revenue	DSM PPI	EE PPI	Total
Demand-Side Management Programs				
CIG DR	1,876	15,368	-	17,244
EnergyWise	3,973	144,066	-	148,038
DSDR Implementation	-	-	-	-
Energy Efficiency Programs				
Res Home Advantage	45,099	-	19,705	64,804
Res Home Energy Improve.	109,644	-	39,703	149,347
Residential Low Income	69,378	-	-	69,378
CIG Energy Efficiency	613,129	-	326,806	939,935
Solar Hot Water Heating Pilot	-	-	-	-
Residential Lighting	1,044,582	-	154,241	1,198,823
Res Appliance Recycling	75,067	-	11,627	86,694
EE Benchmark	87,735	-	875	88,610
CFL Pilot	-	-	10,473	10,473
Small Business Direct Install	-	-	-	-
Res New Construction	-	-	-	-
Total Utility Incentives Including Net Lost Revenue	2,050,483	159,434	563,431	2,773,347

The following table provides calculated South Carolina jurisdictional utility incentives for the Company's rate period (7/1/12 through 6/30/13). The PPI values encompass program results associated with program vintages 2009, 2010, 2011 and estimates for 2012.

Program / Measure	Utility Incentives (South Carolina Only) – Rate Period (7/1/12 through 6/30/13)			
	Net Lost Revenue	DSM PPI	EE PPI	Total
Demand-Side Management Programs				
CIG DR	-	15,368	-	15,368
EnergyWise	-	153,507	-	153,507
DSDR Implementation	-	-	-	-
Energy Efficiency Programs				
Res Home Advantage	54,534	-	23,208	77,742
Res Home Energy Improve.	140,942	-	59,658	200,600
Residential Low Income	104,715	-	-	104,715
CIG Energy Efficiency	843,827	-	402,787	1,246,614
Solar Hot Water Heating Pilot	-	-	-	-
Residential Lighting	1,691,411	-	154,241	1,845,652
Res Appliance Recycling	129,377	-	17,576	146,954
EE Benchmark	236,723	-	1,855	238,577
CFL Pilot	-	-	10,473	10,473
Small Business Direct Install	73,560	-	-	73,560
Res New Construction	26,384	-	-	26,384
Total Utility Incentives Including Net Lost Revenue	3,301,472	168,875	669,798	4,140,145

Provision (h)(1)p(ii)n – *Continued*

The Company's proposed jurisdictional allocation factors for the test period, April 1, 2011 through March 31, 2012, and the rate period, July 1, 2012 through June 30, 2013 are provided in attached Appendix B.

Provision (h)(1)(ii)o – Actual and estimated revenue from DSM/EE rider

(h) Filing Requirements and Procedure.

(1) PEC shall submit to ORS and the Commission all of the following information in its application:

(ii) For each DSM/EE program for which cost recovery is requested:

o. Actual and estimated revenues produced by the DSM/EE rider during the test period and for all available months immediately preceding the rate period.

The following table provides DSM/ EE revenues billed from April 1, 2011 through March 31, 2012[1].

DSM/EE Rate Classification	Amount
Residential Recoveries	$ 5,796,064.66
General Service	$ 5,167,817.68
Less: Opt-Out Credits	2,958,734.56
General Service Recoveries	$ 2,209,083.11
Lighting	$ 0.00
Less: Opt-Out Credits	0.00
Lighting Recoveries	$ 0.00
Total DSM/EE Recoveries	$ 8,005,177.77

[1] Amounts for February and March of 2012 are based on estimated values employed in Docket 2011-181-E.

Provision (h)(1)(ii)p – Proposed DSM/EE rider

(h) Filing Requirements and Procedure.

(1) PEC shall submit to ORS and the Commission all of the following information in its application:
(ii) For each DSM/EE program for which cost recovery is requested:
p. The requested DSM/EE rider and the basis for the rider;

Detailed information regarding the determination of the DSM/EE and DSM/EE EMF factors has been provided as a part of the attached testimony of Robert P. Evans. The following table provides a summary of the Company's requested DSM/EE rates exclusive of gross receipts taxes (GRT) and South Carolina Regulatory Fees.

Rate Class	DSM /EE Rate
Residential	0.437¢/kWh
General Service	0.222¢/kWh
Lighting	0.000¢/kWh

The following table provides a summary of the Company's requested DSM/EE rates including both GRT and South Carolina Regulatory Fees.

Rate Class	DSM /EE Rate
Residential	0.439¢/kWh
General Service	0.223¢/kWh
Lighting	0.000¢/kWh

Provision (h)(1)(ii)q – Projected SC retail sales for customers opting out of measures

(h) Filing Requirements and Procedure.

(1) PEC shall submit to ORS and the Commission all of the following information in its application:

(ii) For each DSM/EE program for which cost recovery is requested:

q. Projected South Carolina retail monthly kWh sales for the rate period for all industrial and large commercial accounts, in the aggregate, that are not assessed the rider charges.

Based on the current proportion of General Service sales associated customers who have "opted-out" of participation in PEC's DSM/EE programs, PEC estimates that 2,314,389,009 kWh will not be subject to billing under its rider for the twelve month period ending June 30, 2012. A similar analysis estimated that there is another 3,174,784 kWh, associated with the lighting accounts of commercial and industrial customers who have elected to "opt-out", that would not be subject to billing under its rider. The following table provides the Company's estimate of South Carolina retail monthly kWh sales in the aggregate, that will not be assessed DSM/EE rider charges.

Estimated "Opt-Out" Sales from Industrial, Large Commercial & Lighting Customers

Month	Estimated kWh
Jul-12	209,453,778
Aug-12	242,733,066
Sep-12	166,075,029
Oct-12	240,189,461
Nov-12	182,698,145
Dec-12	141,483,007
Jan-13	217,055,271
Feb-13	177,492,033
Mar-13	138,025,092
Apr-13	194,710,216
May-13	230,935,015
Jun-13	176,713,680
Total	2,317,563,793

Provision (h)(2) – Supporting workpapers

(h) Filing Requirements and Procedure.

(2) PEC will file the information described in this procedure, accompanied by workpapers and direct testimony and exhibits of expert witnesses.

Workpapers and supporting documents have been attached to this document along with the testimony and exhibits of Robert P. Evans providing details associated with the development of the Company's proposed DSM/EE rates.

Appendix A: Non-Participating Customers

Non-Participant	Non-Participating Accounts
A V M INDUSTRIES	6
ABB POWER DISTRIBUTION INC	2
ADP TAX CREDIT SRVC INC	1
AGRIUM US INC	1
AHLSTROM NONWOVENS LLC	4
ALADDIN MANUFACTURING CORP	4
AMERICAN LIGHT BULB MFG INC	4
ANVIL KNITWEAR INC	2
ASSURANT SPECIALTY PROPERTY	2
BARRINGTON MYRTLE BEACH LLC	2
BECTON DICKINSON & CO	1
BEST BUY LP #826	1
BI-LO LLC	10
BLACKMON, TALBERT	1
BLUE CROSS/BLUE SHIELD OF SC	4
BVP HOLDING LLC	2
CALHOUN FARMS	2
CAROLINA CANNERS INC	7
CAROLINA FURNITURE	3
CAROLINAS HOSPITAL SYSTEM	7
CHARLES CRAFT INC	2
CHARLES INGRAM LUMBER CO INC	17
CHAR-WALT INC	1
CHERAW TOWN OF	1
CHESTERFIELD COUNTY SCHOOLS	10
CHESTERFIELD GENERAL HOSPITAL	12
CITI TRENDS INC	1
CITY OF FLORENCE	4
COKER COLLEGE	26
COMMANDR HEALTH CARE FACLT INC	3
CONBRACO INDUSTRIES INC	3
COOPER TOOLS LLC	1
CROWN CORK & SEAL USA INC	4
DARLINGTON CO SCHOOL DIST	2
DARLINGTON SHREDDING INC	3

Non-Participant	Non-Participating Accounts
DEROYAL TEXTILES INC	2
DILLON COUNTY	1
DILLON YARN CORPORATION	2
DIXIE PIPELINE COMPANY	3
DOMTAR PAPER CO LLC	1
E I DUPONT DE NEMOURS & CO	2
EATON CORPORATION	1
ENERSYS DELAWARE INC	5
EVANS, REAMER	4
EZ PRODUCTS LLC	1
FIRESTONE BUILDING PRODUCTS	7
FLO DARL TECHNICAL COLLEGE	13
FLOCO FOODS INC	10
FLORENCE SCHOOL DIST #1	4
FOOD LION INC	18
FRANCO MFG CO INC	3
FRASIER TIRE SERVICE INC	2
FREEMAN MILLWORK CO	2
G E MEDICAL SYSTEM	1
G E MEDICAL SYSTEMS INC	3
GALEY & LORD LLC	4
GEORGIA PACIFIC LLC	5
H B D INDUSTRIES INC	1
HAIER AMERICA REFRIGERATORS CO	4
HARRIS TEETER INC	1
HARTSVILLE HMA LLC	9
HARTSVILLE OIL MILL	7
HARVIN PACKING COMPANY INC	1
HENGST OF NORTH AMERICA INC	1
HIGHLAND INDUSTRIES INC	4
HODGES, CHARLES T	1
HOME DEPOT USA INC	1
HONORAGE NURSING HOME	2
INDUSTRIAL FABRICATORS	1
INTERNATIONAL PAPER CO	1
INVISTA S A R L	10
IRIX PHARMACEUTICALS	3

Non-Participant	Non-Participating Accounts
ITW ANGLEBOARD	1
JOHNSONVILLE CITY OF	1
JONES FOODS INC	1
KAYDON CORPORATION	4
KOPPERS CO INC	3
KOPPERS INDUSTRIES INC	1
LAKE CITY COMMUNITY HOSPITAL	15
LEE COUNTY SCHOOL DISTRICT	4
LEWIS MOLA LLC	1
LOCKAMY SCRAP METAL INC	4
LOWES COMPANIES INC	4
MANNING CITY OF	1
MARION COUNTY MEDICAL CENTER	2
MARLEY ELECTRIC HEAT CO	2
MARSH LUMBER COMPANY	1
MARTEK BIOSC KINGSTREE CORP	16
MCCALL FARMS INC	5
MCLEOD HEALTH	1
MCLEOD MEDICAL CENTER	6
MCLEOD REG MED CTR OF PEE DEE	30
MEDFORD PLACE	1
METHODIST MANOR	7
MORRELL MEMORIAL CONVAL CENTER	1
NATIONAL HEALTHCARE CORPORATIO	1
NEIGHBORHOOD GROCER LLC	1
NORTHEASTERN TECHNICAL COLLEGE	4
NUCOR COLD FINISH	2
NUCOR CORPORATION	1
PACIFIC MDF PRODUCTS INC	1
PALMETTO BRICK CO	7
PALMETTO GROCER INC	1
PEACE TEXTILE AMERICA INC	2
PERDUE FARMS INC	4
PIGGLY WIGGLY #55 INC	1
PIGGLY WIGGLY ANDREWS INC	1
PIGGLY WIGGLY BISHOPVILLE INC	1
PIGGLY WIGGLY CHEROKEE INC	1

Non-Participant	Non-Participating Accounts
PIGGLY WIGGLY EAST INC	1
PIGGLY WIGGLY LAKE CITY INC	1
PIGGLY WIGGLY MULLINS INC	1
PIGGLY WIGGLY NO 93 INC	1
PIGGLY WIGGLY OF SUMTER INC	1
PIGGLY WIGGLY STORES INC	1
PIGGLY WIGGLY WHEATON ST INC	1
PILGRIMS PRIDE CORPORATION	7
POLYQUEST INC	3
POSTON PACKING CO	2
PROTECTIVE PACKAGING INC	1
REXAM BEVERAGE CAN COMPANY	3
RIVERSIDE ELEC MOTORS	1
ROCHE CAROLINA	1
S & W MANUFACTURING CO	3
SANTEE PRINT WORKS INC	4
SC DEPT OF CORRECTIONS	21
SC GOVERNORS SCHOOL	3
SCHAEFFLER GROUP USA INC	8
SCHOOL DIST OF GEORGETOWN CO	5
SHAW CES CEOEE	1
SLI LIGHTING CORPORATION 01	2
SMITH, JONATHAN K	2
SMURFIT-STONE CONTAINER	4
SONOCO PRODUCTS CO	11
SOPAKCO PACKAGING INC	3
SOUTH ATLANTIC CANNERS INC	4
SOUTHERN GRAPHICS SYSTEMS INC	1
STANLEY TOOLS DIV OF	2
STATE OF S C GOVENOR'S SCHOOL	1
STEELFAB OF SC	1
SUMTER FOODS INC	1
SUMTER PACKAGING CORP	4
T B FOODS INC	1
TALLEY METALS TECHNOLOGY INC	13
TARGET STORES	1
THE BROTHERS OF NORTH CAROLINA	1

Non-Participant	Non-Participating Accounts
TREBOL USA LLC	3
TUOMEY HEALTHCARE SYSTEM	5
TUPPERWARE CO INT	1
TYCO HEALTHCARE GROUP LP	1
UNIFIRST CORPORTATION	1
UNIMIN CORPORATION	1
US AIR FORCE	12
VESUVIUS USA CORPORATION	2
VULCRAFT CORP	3
VULCRAFT CORP #2, 480VAC, 2500	1
VULCRAFT DECK PLANT	1
VULCRAFT DIV NUCOR CORP	3
W LEE FLOWERS CO INC	1
WALLACES OLD FASH SKINS	1
WALMART STORES INC	11
WEYLCHEM US INC	2
WILLIAMSBURG REGIONAL HOSPITAL	2
YOUNG PECAN SHELLING CO	3
ZIMACS INCORPORATED	4

Appendix B: Allocation Factors

Allocation Factors Applicable to Test Period:

Program / Measure - (April 2011)	South Carolina
Demand-Side Management (DSM)	
CIG DR	14.11%
EnergyWise™	14.11%
DSDR Implementation	14.11%
Energy Efficiency Programs (EE)	
Res Home Advantage	14.59%
Res Home Energy Improve.	14.59%
Residential Low Income-NES	14.59%
Residential Lighting	14.59%
Res Appliance Recycling	14.59%
Residential EE Benchmarking	14.59%
Solar Hot Water Heating Pilot	14.59%
CIG Energy Efficiency	14.59%
CFL Pilot	14.59%

Program / Measure - (May 2011 through March 2012)	South Carolina
Demand-Side Management (DSM)	
CIG DR	13.51%
EnergyWise™	13.51%
DSDR Implementation	13.51%
Energy Efficiency Programs (EE)	
Res Home Advantage	14.47%
Res Home Energy Improve.	14.47%
Residential Low Income-NES	14.47%
Residential Lighting	14.47%
Res Appliance Recycling	14.47%
Residential EE Benchmarking	14.47%
Solar Hot Water Heating Pilot	14.47%
CIG Energy Efficiency	14.47%
CFL Pilot	14.47%

Appendix B – *Continued*

Allocation Factors Applicable to the Rate Period:

Program / Measure - (July 2012 through June 2013)	South Carolina
Demand-Side Management (DSM)	
CIG DR	13.37%
EnergyWise™	13.37%
DSDR Implementation	13.37%
Energy Efficiency Programs (EE)	
Residential Home Advantage	14.08%
Residential Home Energy Improvement	14.08%
Residential Low Income-NES	14.08%
Residential Lighting	14.08%
Residential Appliance Recycling	14.08%
Residential EE Benchmarking	14.08%
Solar Hot Water Heating Pilot	14.08%
CIG Energy Efficiency	14.08%
CFL Pilot	14.08%

Appendix C: Savings By Measure

	Year to Date - December 31, 2011		
	No. of Premises	kWh Savings	kW Savings
EnergyWise™			
AC Direct Load Control	31,625	NA	38,353
HP Strip Heater Direct Load Control	919	NA	919
Water Heater Direct Load Control	1,367	NA	1,094
EnergyWise™ Total	33,911	NA	40,365
CIG Demand Response	8	NA	5,977
↳ Amounts reflect net M&V based values.			
Residential Home Advantage			
ENERGY STAR	1,888	3,402,000	1,045
Heat Pump	1,259	323,786	455
Central AC	42	5,715	6
Geothermal Heat Pump	28	22,572	5
Residential Home Advantage Total	3,217	3,754,073	1,510
↳ Amounts reflect net M&V based values.			
Residential Home Energy Improvement			
ASHP HVAC Replacement	6,575	1,860,960	2,127
Furnace/AC HVAC Replacement	2,409	554,400	812
Geothermal HVAC Replacement	116	196,581	79
Duct Testing/Repair	2,918	597,312	409
HVAC Level I Tune Up	3,865	275,352	264
Insulation/Air Sealing	827	529,175	219
Window Replacement	4,515	1,762,781	1,640
HVAC Level 2 Tune Up	601	225,792	194
Residential HEIP Total	21,826	6,002,352	5,743
↳ Amounts reflect net M&V based values.			
Residential Low Income - NES	4,908	4,563,904	703
Residential Lighting Program	3,004,030 *	73,461,392	7,063
** Values expressed in incentivized bulbs*			
Residential Appliance Recycling	7,267	5,375,157	626
Residential Energy Efficiency Benchmarking	47,939	13,806,432	2,478
CIG Energy Efficiency			
Prescriptive Lighting	647	30,774,910	8,113
Prescriptive HVAC	77	1,012,831	364
Prescriptive Motor	1	1,057	-
Prescriptive Refrigeration	28	572,472	48
Custom Measure	184	9,039,791	1,756
Technical Assistance	23	NA	NA
CIG Energy Efficiency Total	960	41,401,061	10,280
↳ Amounts reflect net M&V based values.			
Residential Solar Water Heating Pilot	35	7,290	7
Residential CFL Pilot Program *(inactive)*	-	-	-
↳ *Amounts reflect final net, post M&V, values.*			
Summary Totals	3,124,101	148,371,661	74,753

Appendix D: Total Resource Cost Test Results

Progress Energy Carolinas, Inc
Total Resource Cost (TRC) Test Results
Vintage Year 2011

Program	TRC Ratio
Home Advantage	1.606
Home Energy Improvement	1.140
Residential Lighting	3.496
Residential Appliance Recycling	3.811
Residential Benchmarking Program	1.433
EnergyWise	5.526
Energy Efficiency For Business	2.815
CIG Demand Response Program	12.564

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2012-_____-E

DIRECT TESTIMONY OF ROBERT P. EVANS
ON BEHALF OF CAROLINA POWER & LIGHT COMPANY
D/B/A/ PROGRESS ENERGY CAROLINAS, INC.

Q. PLEASE STATE YOUR NAME, YOUR BUSINESS ADDRESS AND POSITION WITH PROGRESS ENERGY CAROLINAS, INC..

A. My name is Robert P. Evans and my business address is 100 E. Davie Street, Post Office Box 1551, Raleigh, North Carolina 27602. I am employed by Progress Energy Carolinas, Inc. ("PEC") as a Lead DSM Regulatory Specialist in the Company's Efficiency and Innovative Technologies Department.

Q. PLEASE BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I graduated from Iowa State University ("ISU") in 1978 with a Bachelor of Science Degree in Industrial Administration and a minor in Industrial Engineering. As a part of my undergraduate work, I participated in both the graduate level Regulatory Studies Programs sponsored by American Telephone and Telegraph Corporation and graduate level study programs in Engineering Economics. Subsequent to my graduation from ISU I received additional Engineering Economics training at the Colorado School of Mines, completed the NARUC Regulatory Studies program at Michigan State, and completed the Advanced AGA Ratemaking program at the University of Maryland.

Upon graduation from ISU, I joined the Iowa State Commerce Commission, now known as the Iowa Utility Board ("IUB"), in the Rates and Tariffs Section of the Utilities Division. During my tenure with the IUB, I held several positions, including Senior Rate Analyst in charge of Utility Rates and Tariffs and Assistant Director of the Utility Division. In those positions I provided testimony in gas, electric, water and telecommunications proceedings as an expert witness in the areas of rate design, service rules, and tariff applications. In 1982, I accepted employment with City Utilities of Springfield, Missouri, as an Operations Analyst. In that capacity, I provided support for rate-related matters associated with the municipal utility's gas, electric, water and sewer operations. In addition, I worked closely with its load management and energy conservation programs. In 1983, I joined the Rate Services staff of the Iowa Power and Light Company, now known as MidAmerican Energy, as a Rate Engineer. In this position, I was responsible for the preparation of rate related filings and presented testimony on rate design, service rules, and accounting issues before the IUB. In 1986, I accepted employment with Tennessee-Virginia Energy Corporation, which is now known as the United Cities Division of ATMOS Energy, as Director of Rates and Regulatory Affairs. While in this position, I was responsible for regulatory filings, regulatory relations, and customer billing. In 1987, I went to work for the Virginia State Corporation Commission in the Division of Energy Regulation as a Utilities Specialist. In this capacity I worked with electric and natural gas issues and provided testimony on cost of service and rate design matters brought before that regulatory body. In 1988, I joined North Carolina Natural Gas Corporation ("NCNG") as its Manager of Rates and Budgets. Subsequently, I was promoted to Director-Statistical

Services in its Planning and Regulatory Compliance Department. In that position, I performed a variety of work associated with financial, regulatory and statistical analysis, and presented testimony on several issues brought before the North Carolina Utilities Commission. I held that position until the closing of NCNG's merger with Carolina Power and Light Company, the predecessor of Progress Energy, Inc., on July 15, 1999.

From July 1999 through January 2008 I was employed in Principal and Senior Analyst roles by the Progress Energy Service Company, LLC. In these roles I provided NCNG, Progress Energy Carolinas, Inc. and Progress Energy Florida, Inc. with rate and regulatory support in their state and federal venues as well as financial forecasting support.

Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES?

A. I am responsible for financial analysis and support of PEC's Energy Efficiency (EE) and Demand Side Management (DSM) programs.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to explain and support PEC's Application for a DSM/EE cost recovery rider and to provide the information required by the Stipulation approved by Commission Order No. 2009-373 in Docket No. 2008-251-E. In addition, I am addressing aspects of the Commission's Orders numbered 2011-619 and 2011-716, issued in Docket No. 2011-181-E.

Q. ARE YOU SPONSORING PEC'S DSM/EE COST RECOVERY RIDER APPLICATION?

A. Yes. In addition to this testimony and accompanying exhibits, I am sponsoring PEC'S DSM/EE Cost Recovery Rider Application identified as PEC Exhibit No. 1.

Q. WHAT IS THE SCOPE OF THE APPROVED STIPULATION IN DOCKET NO. 2008-251-E?

A. In summary, the Stipulation provided for: filing requirements; program opt-out criteria; procedures for the annual recovery of costs associated with DSM/EE programs and measures including the limited recovery of net lost revenues and incentives based on the sharing of savings achieved from PEC's programs. In addition, the Stipulation provided governing parameters associated with DSM/EE measure screening, measurement and verification.

Q. HAS PEC SUBMITTED INFORMATION COMPLYING WITH THE STIPULATED FILING REQUIREMENTS?

A. Yes, it has. The information required by Section (h) of the Stipulation, is contained in PEC Exhibit No. 1.

<u>COMMISSION DIRECTIVES</u>

Q. PLEASE SUMMARIZE THE ISSUES POSED IN ORDERS 2011-619 AND 2011-716 BY THE COMMISSION IN DOCKET NO. 2011-181-E.

A. Docket No. 2011-181-E encompasses PEC's request for DSM/EE cost recovery filed with the Commission on May 2, 2011. Order No. 2011-619 required that PEC provide the following information as a part of its 2012 DSM/EE cost recovery proceeding:

(1) PEC shall fully evaluate and ORS shall review the peak demand reduction estimates as compared to the actual reductions of the EnergyWise program prior to the next annual filing;

(2) A true-up its EnergyWise program based on the final EM&V ("Evaluation, Measurement and Verification") report;

(3) Incorporate interest on over-collections and incorporate uncollectable based revenue adjustments associated with its 2011 DSM/EE cost recovery request in the amount of $19,592.46;

(4) Calculate interest on this amount through its return to customers during the 2012-2013 rate period;

(5) PEC shall provide interest computations on any over or under-collections in all future filings;

(6) Provide ORS and the Commission with Total Resource Cost ("TRC") test results associated with the 2009 Vintage of its Residential Home Energy Improvement Program; and

(7) PEC shall provide a clear explanation of how it applies the EM&V results to true-up program expenses in all future filings.

Order No. 2011-716 provided for a modified procedural schedule including a new filing date associated with PEC's cost recovery requests.

Q. HAS PEC TRUED-UP ITS ENERGYWISE PROGRAM BASED ON THE FINAL EM&V REPORT?

A. PEC has not received its Final EM&V report for its EnergyWise program from its independent third-party EM&V consultants. PEC expects to receive the EM&V report

for its EnergyWise program during the second or third quarter of 2012. As a result, PEC is unable to perform a true-up for its EnergyWise program at this time. PEC will supply this report to the Commission when it becomes available and perform a true-up as part of its 2013 DSM/EE cost recovery request. In addition, the EnergyWise EM&V assessment will allow PEC to fully evaluate its peak demand reduction estimates.

Q. HAS PEC INCORPORATED INTEREST ON OVER-COLLECTIONS AND INCORPORATED UNCOLLECTABLE BASE REVENUE ADJUSTMENTS ASSOCIATED WITH ITS 2011 DSM/EE COST RECOVERY REQUEST IN THE AMOUNT OF $19,592.46, AND CALCULATED INTEREST ON THIS AMOUNT THROUGH ITS RETURN TO CUSTOMERS DURING THE 2012-2013 RATE PERIOD?

A. Yes. PEC has incorporated interest on the difference between the over-collected amounts and the uncollectibles associated with it 2011 cost recovery request less the uncollectible amount. Interest calculated through June 2012 is $44,237.05. Net of the uncollectible adjustment, totaling $24,515.75, the amount due to customers at June 30, 2012 is $19,721.30. This amount is slightly higher than the original estimate of $19,592.46 provided in the Commission's Order. Since the calculated $19,721.30 obligation will be returned to customers over the period July 1, 2012 through June 30, 2013, additional interest, on the declining balance, was calculated through June 30, 2013. The additional interest, $714.57, and the amount due to customers at June 30, 2011, $19,721.30, totals $20,435.87. This amount has been reflected and employed as a reduction in PEC's calculated revenue requirement.

Q. HAS THE CHANGE IN THE PROCEDURAL SCHEDULE FOR PEC'S DSM/EE PROGRAM COST RECOVERY RIDER IMPACTED PEC'S FILING?

A. Yes. However, the impacts are for the most part limited to those resulting from the change in filing dates. As the test period extends from April 1 through March 31, the revised March 1 filing compels the use of estimates. The previous filing date, May 1, provided PEC the ability to use a test period with twelve months of actual data. The new March 1 filing date necessitates the use of a test year with both actual and estimated values. This filing incorporates actual values from April 1, 2011 through January 31, 2012. Estimated values were used for February and March of 2012. The estimated values for February and March of 2012 will be reconciled, trued-up, and reflected in PEC's 2013 DSM/EE cost recovery request.

Q. HAS PEC INCORPORATED INTEREST ON OVER OR UNDER-COLLECTIONS EXPERIENCED DURING THE CURRENT TEST PERIOD?

A. Yes it has. PEC's revenues during the test period were less than its calculated cost of service. This resulted in an under-recovery. PEC's calculated interest through the end of the rate period totaled $19,003. This amount has been reflected as an adjustment within its revenue requirement calculation.

Q. HAS PEC INCORPORATED ANY PROGRAM TRUE-UPS, RESULTING FROM EM&V RESULTS, IN ITS CURRENT COST RECOVERY REQUEST?

A. Yes it has. PEC has trued-up the 2009 program vintages of its Energy Efficiency for Business and Residential Home Advantage programs. PEC also trued-up the 2010

program vintage of its Residential Appliance and Recycling and its CIG Demand Response programs. It was determined that both over and under collections had occurred. However, the net revenue requirement impact, in total, was a reduction in the amount of $125.

Q. HOW DOES PEC APPLY ITS EM&V RESULTS TO PROGRAM TRUE-UPS?

A. Program EM&V results provided PEC with verified impacts of its DSM/EE program offerings. In essence, the EM&V reports verified energy and demand savings, as well as other factors including field verification rates (i.e., verifying that the DSM/EE measures were properly installed) and free-ridership (i.e., the percentage of program participants that would have implemented the measure even in absence of the program). The verified results are used to replace the original program estimates for determining both the net lost revenues and program performance incentives ("PPI"). Both net lost revenues and PPI amounts previously included in PEC's cost of service are recalculated using the verified results. The differences between the amounts employed in prior recovery clause calculations and the amounts based on the verified values are incorporated into the cost recovery proceeding.

Q. HAS PEC PROVIDED ORS AND THE COMMISSION WITH TRC TEST RESULTS ASSOCIATED WITH THE 2009 VINTAGE OF ITS RESIDENTIAL HOME ENERGY IMPROVEMENT PROGRAM?

A. The TRC test results for the 2009 vintage of its Home Energy Improvement program and related adjustments have been included as a part of the Company's workpapers provided with this proceeding.

Q. WHAT IS THE TRC TEST?

A. The TRC test is one of several DSM/EE cost-effectiveness tests used to evaluate a DSM or EE program as a resource option. TRC evaluates the benefits and costs of a DSM/EE program from the perspective of all utility customers as a whole. The total costs of the program include both the program participants' costs and the utility's costs (adjusted for any incentives paid by the utility to the participants). The benefits for the TRC test consist of the avoided supply-side costs (i.e., the reduction in generation, transmission and distribution capacity and energy costs) valued at their marginal cost for the periods where there is a load reduction and any incentives paid by the utility to the participants. Since incentives paid by the utility are included as both a cost and benefit (a cost to the utility and a benefit to the recipients), they cancel themselves out and for all intents and purposes, such incentives are not considered in the analysis.

Q. WHAT ROLE DOES THE TRC PLAY IN PEC'S DSM/EE PROGRAMS?

A. The TRC test is employed for several roles in evaluating PEC's DSM/EE programs. First, it is used as a filter or screening mechanism for new DSM/EE programs. Proposed DSM/EE programs require a TRC ratio greater than 1.05 in order to be considered. Secondly, the TRC impacts the determination of the PPI. With some exceptions, programs or measures with a TRC of less than 1.0, at the time of the cost recovery proceeding, are ineligible for PPI.

Q. DID ANY PROGRAMS OR MEASURES FAIL THE TRC TEST?

A. Yes. It is important that program and measure related TRC tests are evaluated using verified results since the TRC results can potentially impact the true-up process. PEC has evaluated TRCs for those program vintages where EM&V results were available. The verified 2009 vintage of PEC's Home Advantage program had three measures with TRC results of less than 1.0. The participant and program costs as well as the avoided cost benefits associated with the failing measures were removed prior to the determination of appropriate PPI reimbursements. There were no other TRC related conflicts associated with the other EM&V related program true-ups.

Q. DOES PEC'S REQUEST RECOGNIZE CUSTOMERS OPTING-OUT OF PROGRAM PARTICIPATION?

Yes it does. Section (f) of the Stipulation provides that commercial customers with annual consumption of 1,000,000 kWh or greater in the billing months of the prior calendar year and all industrial customers may elect to not participate in any utility-offered DSM/EE measures and, after written notification to the utility, will not be subject to the DSM/EE Rider. For purposes of application of this option, a customer is defined to be a metered account billed under a single application of a Company rate tariff. For commercial accounts, once one account meets the opt-out eligibility requirement, all other accounts billed to the same entity with lesser annual usage located on the same or contiguous properties are also eligible to opt-out of the DSM/EE Rider. Since these rates are included in the rate tariff charges, customers electing this option will receive an itemized DSM/EE Credit on their monthly bill statement.

Q. IS PEC REQUESTING PPIs IN THIS PROCEEDING?

Yes it is. The PPIs are calculated pursuant to section (e) of the Stipulation, based on the savings achieved by DSM/EE programs as measured by the Utility Cost Test ("UCT"). With regard to DSM measures and programs, PEC will receive an incentive equal to eight percent of the net savings estimated by the UCT, and for EE measures and programs PEC will receive an incentive equal to thirteen percent of the UCT estimated net savings. Using these values, the PPI is established for measures installed during a twelve-month period (i.e. a vintage year) and is recovered in equal annual installments over a ten-year period. The annual installments are calculated through the levelization of the vintage year PPI using PEC's overall weighted net-of-tax rate of return approved in PEC's most recent general rate case as a discount rate.

In addition, PEC is requesting the recovery of estimated net lost revenues. Pursuant to the Stipulation, recovery of net lost revenues is allowed for no more than three years for measures installed in any given vintage year. Both the recovery of net lost revenue and PPI are subject to true-up on the basis of measurement and verification analysis. The changes in net lost revenues, related to programs that were trued-up, have been recognized in PEC's request.

<u>SUMMARY OF DSM/EE COSTS</u>

Q. CAN YOU PROVIDE A SUMMARY OF THE COSTS FOR WHICH THE COMPANY IS REQUESTING RECOVERY IN THIS PROCEEDING?

A. Yes. The Company's requested recovery of DSM/EE costs, allocated jurisdictionally to South Carolina, have been broken into two periods. For the test period, April 1, 2011 through March 31, 2012, the South Carolina allocated share of actual and estimated

costs is $13,805,664. For the forecasted rate period, July 1, 2012 through June 30, 2013, the South Carolina allocated share of forecasted costs is $19,027,221. The total of jurisdictionally allocated actual and forecasted costs is $32,832,885.

A summary of the costs associated with the Company's recovery request is provided in the following table by period and by DSM/EE measure.

Program / Measure	Test Period	Rate Period	Total
	4-1-11 thru 3-31-12	7-1-12thru 6-30-13	For the Periods 4-1-11 thru 3-31-12 7-1-12 thru 6-30-13
Demand-Side Management Programs			
DSDR Implementation	$3,773,013	$5,268,052	$9,041,065
CIG DR	236,761	312,103	548,864
EnergyWise	1,793,590	1,991,037	3,784,627
Energy Efficiency Programs			
Residential Home Advantage	$295,542	$105,568	$401,110
Residential Home Energy Improvement	1,093,909	1,113,122	2,207,031
Residential Low Income - NES	365,328	392,877	758,206
Residential Lighting	2,076,129	2,734,396	4,810,525
Residential Appliance Recycling	276,135	460,707	736,842
EE Benchmarking	198,827	348,023	546,851
CIG Energy Efficiency	2,220,823	2,640,212	4,861,035
Residential Solar Water Heating Pilot	15,780	0	15,780
Pilot CFL Program	10,473	10,473	20,946
Small Business Direct Install	3,662	585,672	589,334
Residential New Construction	817	1,000,467	1,001,284
A&G and Carrying Costs			
A&G	$356,734	$388,128	$744,862
Carrying Cost on Balances	1,088,140	1,676,385	2,764,525
Total Cost	$13,805,664	$19,027,221	$32,832,885

In addition to the summary table above, a further breakdown by cost element is provided on attached Evans Exhibit No. 1.

Q. ARE THE COMPANY'S PROPOSED RATES DESIGNED TO RECOVER $32,832,885?

A. No, since many of the expenses incurred to develop and implement the Company's DSM and EE programs produce benefits covering several years, those expenses pursuant to item (c)(1) of the Stipulation, will be deferred, and recovered over a ten year period. There are exceptions to PEC's reliance on ten-year recovery periods. As a part of its Residential Lighting Program application, PEC requested that it be allowed to employ a five-year recovery period for the recoupment of costs deferred for the program. As a part of its Residential Energy Efficiency Benchmarking Program, PEC requested current period, non-deferred recoveries of its program expenses. The shorter recovery periods associated with these programs are more reflective of their anticipated beneficial measure lives. As a result of these deferrals and the recovery of DSM/EE revenues during the test period, the Company's rates for this proceeding are designed to recover revenues totaling $13,413,416. Details associated with the development of this amount are provided on Evans Exhibit Nos. 1 and 2.

Q. HOW MUCH REVENUE WAS RECOVERED DURING THE TEST PERIOD?

A. PEC's actual and estimated billings to its customers, for the test period, totaled $8,005,178. This amount is used to offset actual and estimated DSM/EE expenses through the end of the test period in the amount of $8,713,394. As illustrated on Evans Exhibit 2, these amounts, adjusted for the prior period credit balance of $518,350 and current and prior period adjustments totaling $33,212, net to an estimated under-recovery totaling $223,078 at March 31, 2012. This remainder when added to the revenue requirement of the forecasted rate period, totals $13,413,416, the amount requested in this proceeding.

JURISDICTIONAL COST ALLOCATION

Q. HOW ARE DSM AND EE PROGRAM COSTS ALLOCATED TO THE SOUTH CAROLINA RETAIL JURISDICTION?

A. PEC first reviews all costs to be recovered and separates them into four categories: (1) EE-related costs, (2) DSM-related costs, (3) costs that provide a system benefit in support of both EE and DSM programs, and (4) DSDR related costs. For each of these categories, different allocation methods are employed to assign those costs to the appropriate jurisdiction.

Q. PLEASE ELABORATE ON THE METHODOLOGY USED TO ALLOCATE DSM/EE COSTS THAT OFFER A SYSTEM BENEFIT.

A. Common Administrative and General (A&G) Costs, associated with the programs, provide a system benefit in support of both EE and DSM programs. Since A&G costs relate to both EE and DSM, A&G amounts are divided into both categories. The division of these costs into either the EE or DSM category is based upon the percentage of each type of expenditure anticipated during the next forecast calendar year. For example, if 30% of these costs in the forecast period are EE-related, then 30% of the A&G costs will be considered as EE-related costs for allocation purposes. The use of a forecast period recognizes the types of new programs PEC will offer in the immediate future that will be supported by these administrative costs. The assignment of A&G costs as being either EE or DSM related is reviewed annually each June based upon forecasted costs for the next calendar year. The A&G costs provided for in this

proceeding have been assigned to these categories based upon forecasted DSM and EE costs for 2012.

Q. ON EVANS EXHIBITS 1 AND 2, THE DSDR PROGRAM IS SEPARATED FROM THE OTHER DSM AND EE PROGRAMS. HOW IS THE DSDR PROGRAM CLASSIFIED?

A. The DSDR Program has been classified, for purposes of ratemaking, as a DSM program. Due to the scope and nature of this program, its costs are being tracked separately. This separate tracking includes both direct costs and A&G costs associated with the program.

Q. HOW ARE COSTS IDENTIFIED AS EE-RELATED ALLOCATED TO THE JURISDICTION?

A. Any program costs that are identified as being EE-related, including A&G costs, are allocated to SC retail based upon the ratio, at the meter, of SC retail sales to PEC system retail sales. The allocation percentage is updated each May, and is based on the prior calendar year usage data.

Q. HOW ARE COSTS IDENTIFIED AS DSM-RELATED ALLOCATED TO THE JURISDICTION?

A. Any program costs that are identified as being DSM or DSDR-related, including assigned A&G costs, are allocated to SC retail based upon the ratio of the SC retail demand to the PEC system retail demand at the hour of the annual system peak. The

allocation percentage is updated each May, and is based on demand data from the prior calendar year.

UTILITY INCENTIVES AND NET LOST REVENUES

Q. HOW WERE THE UTILITY INCENTIVES CALCULATED?

A. As stated earlier, the PPI is calculated pursuant to section (e) of the Stipulation, based on the savings achieved by DSM/EE programs as measured by the Utility Cost Test ("UCT"). The amount of the PPI initially to be recovered for a given measurement unit and vintage year is equal to eight percent of the UCT for DSM programs and measures and thirteen percent of the UCT for EE programs and measures. Estimated net savings are determined by multiplying the number of measurement units projected to be installed specific to a program or measure in a vintage year by the most current estimates of the annual per installation kW and kWh savings over the measurement unit's life and by the most current estimates of the annual kW and kWh avoided costs, subtracting the estimated utility costs over the measurement unit's life related to the projected installations in that vintage year and discounting the result to determine a net present value.

The PPI for the initial vintage was converted into a stream of ten (10) levelized annual payments, accounting for and incorporating PEC's overall weighted average net-of-tax rate of return approved in the Company's most recent general rate case as the appropriate discount rate. Pursuant to item (e)(11) of the Stipulation, PPI recoveries are subject to true-up on the basis on future measurement and verification results.

1 **Q. HOW WERE THE NET LOST REVENUES DETERMINED?**

2 A. Net lost revenues, which are applicable to both DSM and EE programs, are determined
3 by multiplying the estimated reduction in sales associated with a measure by a margin
4 based net lost revenue rate. While subject to a few nuances, the following formula
5 embraces the essence of the adjustment.

6 NET LOST REVENUES = LOST SALES X NET LOST REVENUE RATE

7 Lost Sales are those sales that do not occur by virtue of employing the DSM / EE
8 measures. These values are initially based on engineering estimates and/or past impact
9 evaluations, with future periods based on updated impact evaluations conducted
10 through the measurement and verification (M&V) activities and applied prospectively
11 and in conjunction with applicable net lost revenue true-ups. The Net Lost Revenue
12 Rate, itself, represents the difference between the average retail rate applicable to the
13 customer class impacted by the measure and (1) the embedded gross receipts taxes, (2)
14 the related average customer charge component of that rate, (3) the average fuel
15 component of the rate, (4) the incremental variable O&M rate as approved in the
16 Company's last CSP tariff, and (5) the impact of the uncollectibles adjustment. When
17 multiple customer classes are impacted by a DSM / EE measure, as with the DSDR
18 program, a weighted or system wide net lost revenue rate is employed.

19 Pursuant to item (d)(6) of the Stipulation, net lost revenues are recoverable for only the
20 first 36-months of an installed measure's life and, comparable to the PPI, recoveries are
21 subject to true-up on the basis on future measurement and verification results.

Q. IS PEC SEEKING PPIS AND NET LOST REVENUES FOR ALL PROGRAMS AND MEASURES?

A. No. PEC is not seeking PPIs for its DSDR, Residential Low Income, or Residential Solar Hot Water Heating programs. Net lost revenues are not being requested for PEC's Residential Solar Hot Water Heating Program and programs that consist of event driven measures (e.g., EnergyWise, CIG Demand Response and DSDR) For PEC programs that consist of event driven measures (e.g., EnergyWise, CIG Demand Response and DSDR), in which revenue losses are a function of their deployment that cannot be accurately predicted in advance, net lost revenue recoveries will be requested based on their actual, as opposed to estimated, deployment. Thus, while PEC has not requested net lost revenue recoveries for these programs during the forecast period, PEC has requested recoveries for the actual test period activations of its Residential EnergyWise and CIG Demand Response programs.

<u>RATE DEVELOPMENT</u>

Q. ONCE ALL RELEVANT COSTS ARE ALLOCATED TO SOUTH CAROLINA AND IDENTIFIED AS BEING EITHER DSM/EE RELATED, HOW ARE RATES ESTABLISHED?

A. PEC schedules are designed to establish three natural rate groups: Residential, General Service and Lighting.

Q. CAN YOU IDENTIFY THE RATE TARIFFS THAT FALL WITHIN EACH RATE CLASS?

A. The following table lists the schedules and riders proposed within each rate class:

RESIDENTIAL	GENERAL SERVICE			LIGHTING
	Small General Service	Medium General Service	Large General Service	
RES R-TOUD R-TOUE	SGS TSS TFS	MGS SGS-TOU SI SGS-TES CSE, CSG GS & Rider SS (less than 1 MW)	LGS LGS-TOU LGS-CUR-TOU LGS-RTP & Rider SS (1 MW & Greater)	ALS SLS SLR SFLS

COST ALLOCATION METHODOLOGY

Q. HOW ARE EE AND DSM RELATED COSTS ALLOCATED TO EACH RATE CLASS?

A. Costs are assigned to customer classes based on program design and participation. In other words, costs are assigned to customer groups that are directly benefitted by the programs. Using this method, residential program costs are allocated solely to residential customers, general service program costs are allocated solely to general service customers, and lighting program costs are allocated solely to lighting customers. Where programs benefit multiple customer groups, the costs are allocated to benefitted groups using appropriate annual energy and/or coincident peak demand based allocation factors.

Q. HOW ARE ANNUAL ENERGY ALLOCATIONS ADJUSTED FOR THE IMPACT OF "OPT-OUT" CUSTOMERS?

A. Rate Class energy allocation factors were developed assuming that the percentage of General Service customer usage "Opted-out" at the end of the test period will continue

throughout the rate period. To the extent that actual "Opt-Out" levels diverge from this percentage, recovery variations will be reconciled in subsequent DSM/EE rider true-ups.

Estimated commercial and industrial sales forecasted to "Opt-Out" of the DSM/EE rate are provided in Evans Exhibit No. 3.

Q. THE SALES FOR "OPT-OUT" CUSTOMERS ARE EASILY IDENTIFIED, BUT HOW IS THE COINCIDENT PEAK OF THESE CUSTOMERS ESTIMATED?

A. PEC reviewed its billing records and based upon the current General Service "Opt-Out" rate, anticipates that, 2,314,389,009 kWhs would not be subject to billing for the twelve month period ending June 30, 2013.

Currently installed metering for these customers does not provide usage data at the system peak hour; therefore, this impact is estimated based upon the ratio of "opt-out" sales to total sales for the rate class times the rate class peak demand. This approach should accurately approximate the demand of "opt-out" accounts.

Q. AFTER ADJUSTING ENERGY AND DEMAND FOR "OPT-OUT" CUSTOMERS, HOW ARE THE RESULTING ALLOCATION FACTORS USED TO DETERMINE REVENUE REQUIREMENTS FOR EACH RATE CLASS?

A. The energy and demand based allocators are used in cases where programs or measures directly benefit multiple rate groups. In this situation EE costs are multiplied by Rate

1 Class energy allocation factors and DSM costs are multiplied by Rate Class demand
2 allocation factors.
3 The energy allocation rate class factors were developed from the forecasted rate class
4 usage, after subtracting sales for "Opt-Out" customers. The energy allocation factors
5 applicable to each rate class based upon the forecast of rate class sales for the recovery
6 period of July 2012 through June 2013 are provided in Evans Exhibit No. 4.

7 The demand allocation rate class factors are based on the summer coincident peak
8 demand for 2011, after subtracting the estimated demand for "Opt-Out" customers as
9 discussed above. The forecast does not provide rate class coincident peak demands;
10 therefore, the most recent historic data was deemed to be representative of future
11 demand impacts. The demand allocation factors applicable to each rate class are
12 provided in Evans Exhibit No. 5.

13 **Q. HOW ARE RATE CLASS DSM/EE RATES ESTABLISHED?**

14 A. The calculated rate class EE and DSM revenue requirements are divided by rate class
15 sales, after adjustment for "Opt-Out" customers, to establish the rate class DSM/EE
16 rate. Evans Exhibit No. 6 provides the derivation of the Energy Efficiency Rate. Evans
17 Exhibit No. 7 provides the derivation of the Demand Side Management Rate.

18 **Q. WERE PEC'S ESTIMATED UNCOLLECTIBLE BILLINGS CONSISTENT**
19 **WITH ACTUAL RESULTS?**

20 A. Company estimates were fairly consistent with actual results. The actual residential
21 uncollectible rate for the period, 0.6861%, was somewhat less than the estimated value

of 0.7019%. This difference resulted in an over-collection of $916. The general service uncollectible rate associated with the test period of 0.0651% was higher than the estimated value of 0.0593%. This difference resulted in an under-collection of $130. The revised amounts are employed as gross-up factor components used on Evans Exhibit No. 8. The dollar adjustments were used on Evans Exhibit No. 2 to arrive at the residual revenue requirement at the end of the test period, March 31, 2012.

Q. WHAT RATES ARE PROPOSED FOR EACH RATE CLASS?

A. Evans Exhibit No. 9 calculates the DSM/EE annual rates proposed in this proceeding. The DSM/EE rates recover costs forecasted to be incurred during July 1, 2012 through June 30, 2013 and the actual and estimated costs incurred through March 31, 2012, net of test period recoveries. PEC proposes the following rates, exclusive of gross receipts taxes and SC Regulatory Fees, for each rate class (shown in cents per kWh):

Rate Class	DSM Rate	EE Rate	Adjustment*	DSM/EE Annual Rider**
Residential	0.1996	0.2311	0.0065	0.437
General Service	0.0935	0.1286	0.0001	0.222
Lighting	0.0000	0.0000	0.0000	0.000

** Adjustment for uncollectible billings and Residential RECD discount*
***Billing Rates are rounded to the nearest thousandth of a cent*

The proposed billing rates, including gross receipts taxes and SC Regulatory Fees for each class are provided in the following table (shown in cents per kWh):

Rate Class	DSM /EE Rate
Residential	0.439¢/kWh
General Service	0.223¢/kWh
Lighting	0.000¢/kWh

Q. WERE PEC'S DSM/EE COSTS FOR THE TEST PERIOD PRUDENTLY INCURRED AND JUST AND REASONABLE?

A. Yes, the benefits resulting from PEC's DSM/EE programs and measures exceeded their costs and reduced the cost of electricity for PEC's customers.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

South Carolina Retail - DSM/EE Revenue Requirements Summary

A. Test Period

			SOUTH CAROLINA JURISDICTIONALLY ALLOCATED RETAIL COSTS ONLY																
			O&M	Insurance	A&G Expense	Capitalized O&M and A&G	Current Period Amortization	Prior Period Amortization	DSDR Capital Costs	Income Taxes on DSDR Capital Costs	DSDR Property Taxes	DSDR Depreciation	Carrying Costs Net of Taxes	Income Taxes on Carrying Cost	Rev Reqmt Before PPI & NLR	Net Lost Revenue	PPI	Total Revenue Requirement
	April 2011 through March 2012		*(1)*	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13)*	*(14)*	*(15)*	*(16)*
						ΣCols(1)thru(3)									*ΣCols(5)thru(12)*			*ΣCols(13)thru(15)*
	SC DSM Program Expenses																	
1	CIG DR	*Per Books*	$ 219,517		$ -	$ 219,517	$ 21,952	$ 24,084					$ -	$ -	$ 46,036	$ 1,876	$ 15,368	$ 63,280
2	EnergyWise	*Per Books*	1,645,552		-	1,645,552	164,555	248,329					-	-	412,884	3,973	144,066	560,922
3	Total DSM	*Σ Lines 1 thru 2*	$ 1,865,069		$ -	$ 1,865,069	$ 186,507	$ 272,413					$ -	$ -	$ 458,920	$ 5,849	$ 159,434	$ 624,203
4	DSM Assigned to A&G Cost	*Per Books*			116,881	116,881	11,688	36,855					211,306	82,655	342,504	-	-	342,504
5	Total DSM and Assigned Cost	*Σ Lines 3 thru 4*	$ 1,865,069		$ 116,881	$ 1,981,950	$ 198,195	$ 309,268					$ 211,306	$ 82,655	$ 801,424	$ 5,849	$ 159,434	$ 966,707
	SC EE Program Expenses																	
6	Res Home Advantage	*Per Books*	$ 230,738		$ -	$ 230,738	$ 23,074	$ 38,168					$ -	$ -	$ 61,242	$ 45,099	$ 19,705	$ 126,046
7	Res Home Energy Improvem't	*Per Books*	944,562		-	944,562	94,456	191,945					-	-	286,401	109,644	39,703	435,748
8	Residential Low Income	*Per Books*	295,950		-	295,950	29,595	42,199					-	-	71,794	69,378	-	141,172
9	CIG Energy Efficiency	*Per Books*	1,280,888		-	1,280,888	128,089	191,109					-	-	319,198	613,129	326,806	1,259,133
10	Solar Hot Water Pilot	*Per Books*	15,780		-	15,780	1,578	5,201					-	-	6,779	-	-	6,779
11	Residential Lighting[1]	*Per Books*	877,306		-	877,306	175,461	229,590					-	-	405,051	1,044,582	154,241	1,603,874
12	Res Appliance Recycling	*Per Books*	189,441		-	189,441	18,944	21,562					-	-	40,506	75,067	11,627	127,200
13	Res EE Benchmarking[1]	*Per Books*	110,217			110,217	110,217	-					-	-	110,217	87,735	875	198,827
14	Home Depot CFL	*Per Books*	-		-	-	-	2,140					-	-	2,140	-	10,473	12,613
15	Small Business Direct Install	*Per Books*	3,662			3,662	366	-					-	-	366	-	-	366
16	Residential New Construction	*Per Books*	817			817	82	-					-	-	82	-	-	82
17	Total EE	*Σ Lines 6 thru 16*	$ 3,949,361		$ -	$ 3,949,361	$ 581,862	$ 721,914					$ -	$ -	$ 1,303,776	$ 2,044,634	$ 563,431	$ 3,911,841
18	EE Assigned A&G and Carrying Cost	*Per Books*			239,853	239,853	23,985	66,311					433,188	169,446	692,930	-	-	692,930
19	Total EE and Assigned Cost	*Σ Lines 17 thru 18*	$ 3,949,361		$ 239,853	$ 4,189,214	$ 605,847	$ 788,225					$ 433,188	$ 169,446	$ 1,996,706	$ 2,044,634	$ 563,431	$ 4,604,771
	SC DSDR Program Expenses																	
20	DSDR Program	*Per Books*	$ 1,055,959	$ 93,250	$ -	$ 1,149,209	$ 114,921	$ 169,441	$ 1,105,912	$ 558,530	$ 194,780	$ 764,582	$ 137,687	$ 53,858	$ 3,099,711	$ -	$ -	$ 3,099,711
21	DSDR A&G and Carrying Cost	*Per Books*			-	-	-	42,206							42,206	-	-	42,206
22	Total DSDR and Assigned Cost	*Σ Lines 20 thru 21*	$ 1,055,959	$ 93,250	$ -	$ 1,149,209	$ 114,921	$ 211,647	$ 1,105,912	$ 558,530	$ 194,780	$ 764,582	$ 137,687	$ 53,858	$ 3,141,917	$ -	$ -	$ 3,141,917
23	Test Period Totals	*Lines 5 + 19 + 22*	$ 6,870,389	$ 93,250	$ 356,734	$ 7,320,373	$ 918,963	$ 1,309,140	$ 1,105,912	$ 558,530	$ 194,780	$ 764,582	$ 782,181	$ 305,959	$ 5,940,047	$ 2,050,483	$ 722,864	$ 8,713,394

[1] Current Residential EE Benchmarking Program costs are recovered during the current period. Residential Lighting costs are recovered over a 5 year period. All other EE program costs are recovered over a 10 year period.

South Carolina Retail - DSM/EE Revenue Requirements Summary

B. Rate Period

			SOUTH CAROLINA JURISDICTIONALLY ALLOCATED RETAIL COSTS ONLY															
			O&M	Insurance	A&G Expense	Capitalized O&M and A&G	Current Period Amortization	Prior Period Amortization	DSDR Capital Costs	Income Taxes on DSDR Capital Costs	DSDR Property Taxes	DSDR Depreciation	Carrying Costs Net of Taxes	Income Taxes on Carrying Cost	Rev Reqmt Before PPI & NLR	Net Lost Revenue	PPI	Total Revenue Requirement
	July 2012 through June 2013		*(1)*	*(2)*	*(3)*	*(4)* *ΣCols(1)thru(3)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13)* *ΣCols(5)thru(12)*	*(14)*	*(15)*	*(16)* *ΣCols(13)thru(15)*
	SC DSM Program Expenses																	
1	CIG DR	*Per Forecast*	$ 296,735		-	$ 296,735	$ 29,674	$ 46,036					$ -	$ -	$ 75,710	$ -	$ 15,368	$ 91,078
2	EnergyWise	*Per Forecast*	1,837,530		-	1,837,530	183,753	412,884					-	-	596,637	-	153,507	750,144
3	Total DSM	*Σ Lines 1 thru 2*	$ 2,134,265		$ -	$ 2,134,265	$ 213,427	$ 458,920					$ -	$ -	$ 672,347	$ -	$ 168,875	$ 841,222
4	DSM Assigned to A&G Cost	*Per Books*			113,824	113,824	11,382	48,543					328,221	128,387	516,533	-	-	516,533
5	Total DSM and Assigned Cost	*Σ Lines 3 thru 4*	$ 2,134,265		$ 113,824	$ 2,248,089	$ 224,809	$ 507,463					$ 328,221	$ 128,387	$ 1,188,880	$ -	$ 168,875	$ 1,357,755
	SC EE Program Expenses																	
6	Res Home Advantage	*Per Forecast*	$ 27,826		$ -	$ 27,826	2,783	61,242					$ -	$ -	$ 64,025	$ 54,534	$ 23,208	141,767
7	Res Home Energy Improvem't	*Per Forecast*	912,522		-	912,522	91,252	286,401					-	-	377,653	140,942	59,658	578,253
8	Residential Low Income	*Per Forecast*	288,162		-	288,162	28,816	71,794					-	-	100,610	104,715	-	205,325
9	CIG Energy Efficiency	*Per Forecast*	1,393,598		-	1,393,598	139,360	319,198					-	-	458,558	843,827	402,787	1,705,172
10	Solar Hot Water Pilot	*Per Forecast*	-		-	-	-	6,779					-	-	6,779	-	-	6,779
11	Residential Lighting[1]	*Per Forecast*	888,744		-	888,744	177,749	405,051					-	-	582,800	1,691,411	154,241	2,428,452
12	Res Appliance Recycling	*Per Forecast*	313,753		-	313,753	31,375	40,506					-	-	71,881	129,377	17,576	218,835
13	Res EE Benchmarking[1]	*Per Forecast*	109,446		-	109,446	109,446	-					-	-	109,446	236,723	1,855	348,023
14	Home Depot CFL	*Per Forecast*	-		-	-	-	2,140					-	-	2,140	-	10,473	12,613
15	Small Business Direct Install	*Per Forecast*	512,112			512,112	51,211	366					-	-	51,577	73,560	-	125,137
16	Residential New Construction	*Per Forecast*	974,083			974,083	97,408	82					-	-	97,490	26,384	-	123,874
17	Total EE	*Σ Lines 6 thru 16*	$ 5,420,246		$ -	$ 5,420,246	$ 729,400	$ 1,193,559					$ -	$ -	$ 1,922,959	$ 3,301,472	$ 669,798	$ 5,894,229
18	EE Assigned to A&G Cost	*Per Books*			274,304	274,304	27,430	90,296					682,943	267,141	1,067,810	-		1,067,810
19	Total EE and Assigned Cost	*Σ Lines 17 thru 18*	$ 5,420,246		$ 274,304	$ 5,694,550	$ 756,830	$ 1,283,855					$ 682,943	$ 267,141	$ 2,990,769	$ 3,301,472	$ 669,798	$ 6,962,039
	SC DSDR Program Expenses																	
20	DSDR Program	*Per Forecast*	$ 963,199	$ 140,990	$ -	$ 1,104,189	$ 110,419	$ 284,362	$ 1,582,753	$ 794,385	$ 319,434	$ 1,467,291	$ 193,862	$ 75,831	$ 4,828,337	$ -	$ -	$ 4,828,337
21	DSDR Assigned to A&G Cost	*Per Forecast*			-	-	-	42,206							42,206	-	-	42,206
22	Total DSDR and Assigned Cost	*Σ Lines 20 thru 21*	$ 963,199	$ 140,990	$ -	$ 1,104,189	$ 110,419	$ 326,568	$ 1,582,753	$ 794,385	$ 319,434	$ 1,467,291	$ 193,862	$ 75,831	$ 4,870,543	$ -	$ -	$ 4,870,543
23	Rate Period Totals	*Lines 5 + 19 + 22*	$ 8,517,710	$ 140,990	$ 388,128	$ 9,046,828	$ 1,092,058	$ 2,117,886	$ 1,582,753	$ 794,385	$ 319,434	$ 1,467,291	$ 1,205,026	$ 471,359	$ 9,050,192	$ 3,301,472	$ 838,673	$ 13,190,337

[1] Current Residential EE Benchmarking Program costs are recovered during the current period. Residential Lighting costs are recovered over a 5 year period. All other EE program costs are recovered over a 10 year period.

PROGRESS ENERGY CAROLINAS, INC.

Determination of Net Revenue Requirement for Test Period

			Residential	General Service	Lighting	Total
1	**Prior Period Recovery Balance at March 31, 2011**					
2	Energy Efficiency Programs	*Doc No. 2011-181-E Exh 2*	$ 62,686.10	$ 57,357.06	$ -	$ 120,043.16
3	Demand Side Management Programs	*Doc No. 2011-181-E Exh 2*	(25,498.80)	(29,961.89)	-	(55,460.69)
4	DSDR Program Expenses	*Doc No. 2011-181-E Exh 2*	(407,668.70)	(175,264.38)	-	(582,933.08)
5	Balance - Prior (Over) or Under Collection	*Lines 2 + 3 + 4*	$ (370,481.40)	$ (147,869.21)	$ -	$ (518,350.61)
6						
7	**Current Period Cost of Service *(4-11 to 3-12)***					
8	Energy Efficiency Programs	*Exhibit 1 (Page 1 of 2)*	$ 984,211.96	$ 319,564.00	$ -	$ 1,303,775.96
9	E E A&G and Carrying Cost Allocation	*Exhibit 1 (Page 1 of 2)*	523,088.33	169,841.67	-	692,930.00
10	E E PPI and Net Lost Revenues	*Exhibit 1 (Page 1 of 2)*	1,668,129.39	939,935.35	-	2,608,064.74
11	Total Energy Efficiency Cost of Service	*Lines 8 + 9 + 10*	$ 3,175,429.68	$ 1,429,341.02	$ -	$ 4,604,770.70
12						
13	Demand Side Management Programs	*Exhibit 1 (Page 1 of 2)*	$ 412,884.20	$ 46,036.00	$ -	$ 458,920.20
14	DSM A&G and Carrying Cost Allocation	*Exhibit 1 (Page 1 of 2)*	308,146.14	34,357.86	-	342,504.00
15	DSM PPI and Net Lost Revenues	*Exhibit 1 (Page 1 of 2)*	148,038.25	17,244.17	-	165,282.43
16	Total DSM Cost of Service	*Lines 13 + 14 + 15*	869,068.60	97,638.03	-	966,706.63
17						
18	DSDR Program	*Exhibit 1 (Page 1 of 2)*	$ 1,983,441.83	$ 1,116,269.27	$ -	$ 3,099,711.10
19	DSDR A&G and Carrying Cost Allocation	*Exhibit 1 (Page 1 of 2)*	27,006.76	15,199.24	-	42,206.00
20	DSDR Net Lost Revenues	*Exhibit 1 (Page 1 of 2)*	-	-		-
21	Total DSDR Cost of Service	*Lines 18 + 19 + 20*	$ 2,010,448.58	$ 1,131,468.52	$ -	$ 3,141,917.10
22						
23	Cost of Service for 12 ME 3-31-12	*Line 11 + Line 16 + Line 21*	$ 6,054,946.87	$ 2,658,447.56	$ -	$ 8,713,394.43
24						
25	**Cost of Service & Prior Bal at March 31, 2012**					
26	Energy Efficiency Programs	*Line 2 + Line 11*	$ 3,238,115.78	$ 1,486,698.08	$ -	$ 4,724,813.86
27	Demand Side Management Programs	*Line 3 + Line 16*	843,569.80	67,676.14	-	911,245.94
28	DSDR Program	*Line 4 + Line 21*	1,602,779.88	956,204.14	-	2,558,984.02
29	Total Net COS Before Revenue Offsets	*Lines 26 + 27 + 28*	$ 5,684,465.47	$ 2,510,578.35	$ -	$ 8,195,043.82
30						
31	**Actual & Estimated Revenue *(4-11 to 3-12)***					
32	EE Revenue	*Per Books see W/P R-2*	$ 3,254,367.14	$ 1,128,533.84	$ -	$ 4,382,900.98
33	DSM Revenue	*Per Books see W/P R-2*	795,725.35	86,720.95	-	882,446.30
34	DSDR Revenue	*Per Books see W/P R-2*	1,746,002.17	993,828.33	-	2,739,830.50
35	Est Total Test Period Revenue *(4-11 to 3-12)*	*Lines 32 + 33 + 34*	$ 5,796,094.66	$ 2,209,083.11	$ -	$ 8,005,177.77
36						
37	**Adjustments**					
38	Energy Efficiency	*See WP E*	41,206.51	35,560.90	-	76,767.41
39	Demand Side Management	*See WP E*	10,583.47	(3,025.68)	-	7,557.79
40	Uncollectible - DSDR	*See WP E*	(30,580.61)	(20,532.20)	-	(51,112.81)
41	Total Adjustments	*Lines + 38 + 39 + 40*	$ 21,209.37	$ 12,003.02	$ -	$ 33,212.39
42						
43	**Revenue Requirement at March 31, 2012**					
44	EE Portion of Revenue Requirement	*Lines 26 - 32 + 38*	$ 24,955.15	$ 393,725.14	$ -	$ 418,680.29
45	DSM Portion of Revenue Requirement	*Lines 27 - 33 + 39*	58,427.92	(22,070.49)	-	36,357.43
46	DSDR Portion of Revenue Requirement	*Lines 28 - 34 + 40*	(173,802.89)	(58,156.39)	-	(231,959.28)
47	**Total Net Test Period Revenue Requirement**	*Lines + 44 + 45 + 46*	$ (90,419.82)	$ 313,498.26	$ -	$ 223,078.44
48	Forecasted Rate Period Revenue Requirement	*Exhibit 1 (Page 2 of 2)*				13,190,337.09
49	**Referenced Rate Period Recovery Level**	*Lines 47 + 48*				$ 13,413,415.53

PROGRESS ENERGY CAROLINAS, INC.
Annual DSM/EE Opt-Out Sales Estimate for SC Customers
Annual Sales for the Year Ended June, 2012

Rate Class	Opt-Out KWHs (1)
Residential	0
General Service	2,314,389,009
Lighting	3,174,784
Total Estimated Opt-Out Sales	2,317,563,793

NOTES:

(1) Opt-Out kWh values are based actual and estimated Opt-Out activity for the twelve-month period ending March 31, 2012.

PROGRESS ENERGY CAROLINAS, INC.

Energy Allocation Factors - Applicable to EE Program Costs

South Carolina Rate Class Energy Allocation Factors

Rate Class	Total SC Rate Class Sales (MWhrs) [1]	Opt-Out Sales[2]	Adjusted SC Rate Class MWHr Sales	Rate Class Energy Allocation Factor
	(1)	(2)	(3) = (1) - (2)	(4) = (3) / SC Total in Column 3
Residential	2,108,734	0	2,108,734	50.85%
General Service	4,264,798	2,314,389	1,950,409	47.03%
Lighting	91,331	3,175	88,156	2.13%
SC Retail	6,464,863	2,317,564	4,147,299	100.00%

NOTES:
(1) Total SC Rate Class Sales (MWHrs) are for the forecasted year ended June 2013.
(2) Opt-Out sales are provided in Evans Exhibit No. 3

PROGRESS ENERGY CAROLINAS, INC.

Demand Allocation Factors - Applicable to DSM Programs

South Carolina Rate Class Demand Allocation Factors

Rate Class	Total SC Rate Class Sales [1] (1)	Sales Subject to Opt-Out [2] (2)	Rate Class Demand [3] (3)	Revised Rate Class Demand (4) = ((1 - 2) / 1) * 3	Rate Class Allocation Factor (5) = (4)/Total of Column 4
Residential	2,108,734	0	542,696	542,696	63.98796%
General Service	4,264,798	2,314,389	667,850	305,426	36.01204%
Lighting	91,331	3,175	0	0	0.00000%
SC Retail	6,464,863	2,317,564	1,210,545	848,122	100.00000%

NOTES:

(1) Total SC Rate Class Sales (MWHrs) are for the forecasted year ended June 2013.
(2) Opt-Out sales are provided in Evans Exhibit No. 3
(3) The CP demands are based on the 2011 Coincident Peak occurring on July 22 during the hour ended at 1500 EDT.

PROGRESS ENERGY CAROLINAS, INC.

Energy Efficiency Rate Derivation

SC Rate Class	Adjusted SC Rate Class kWHr Sales [1]	Rate Class Energy Allocation Factor [2]	EE Revenue Requirements							
			Residential Programs[3]	CIG Programs[4]	Common Programs	Allocated A&G Costs[5]	Allocated Carrying Costs[5]	Net Test Period Revenue Requirement[6]	Total of Allocated Costs	Total EE Rate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) = Σ (3 thru 8)	(10) = (9) / (1)
Residential	2,108,734,058	50.85%	$4,063,921	$0	$0	$86,495	$698,040	$24,955	$4,873,411	$0.002311
General Service	1,950,408,996	47.03%	$0	$1,830,308	$0	$31,231	$252,044	$393,725	$2,507,309	$0.001286
Lighting	88,156,426	2.13%	$0	$0	$0	$0	$0	$0	$0	$0.000000
SC Retail	4,147,299,480	100%	$4,063,921	$1,830,308	$0	$117,726	$950,084	$418,680	$7,380,719	$0.001780

NOTES:

(1) Rate Class Sales, excluding "Opt-Out" sales, are derived in Evans Exhibit No. 4, column (3).
(2) Rate Class Energy Allocation Factor is derived in Evans Exhibit No. 4, column (4).
(3) CFL Pilot, Solar Water Heating Pilot, EE Benchmarking, HEIP, Lighting, Appliance Recycling, Home Advantage, New Construction and Low Income Program costs are allocated solely to Residential Class.
(4) CIG Energy Efficiency and Small Business Direct Install Program costs are allocated solely to General Service Class.
(5) A&G and Carrying Costs are allocated on the basis of revenue requirements (excluding incentives).
(6) Net Energy Efficiency Revenue Requirements are derived on Evans Exhibit No. 2

PROGRESS ENERGY CAROLINAS, INC.

Demand Side Management Rate Derivation

SC Rate Class	Adjusted SC Rate Class kWHr Sales [1]	Rate Class Demand Allocation Factor[2]	DSM Revenue Requirement: Residential Programs[3]	CIG Programs[4]	DSDR[5]	Non-DSDR Assigned A&G and Carrying Costs[6]	DSDR Assigned A&G and Carrying Costs[5]	Net Test Period Revenue Requirement[7]	Total of Allocated Costs	Total DSM Rate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) = Σ (3 thru 8)	(10) = (9) / (1)
Residential	2,108,734,058	63.99%	$750,144	$0	$2,916,983	$458,368	$199,578	-$115,375	$4,209,699	$0.001996
General Service	1,950,408,996	36.01%	$0	$91,078	$1,641,661	$58,164	$112,321	-$80,227	$1,822,998	$0.000935
Lighting	88,156,426	0.00%	$0	$0	$0	$0	$0	$0	$0	$0.000000
SC Retail	4,147,299,480	100.00%	$750,144	$91,078	$4,558,644	$516,533	$311,899	-$195,602	$6,032,696	$0.001455

NOTES:

(1) Rate Class Sales, excluding "Opt-Out" sales, are derived in Evans Exhibit No. 4, column (3).
(2) Rate Class Demand Allocation Factor is derived in Evans Exhibit No. 5, column (5).
(3) EnergyWise costs are directly assigned solely to Residential Rate Class.
(4) CIG DR Program costs are directly assigned solely to General Service Class.
(5) DSDR Costs and assigned A&G and carrying costs are allocated using Rate Class Demand Allocation Factor from column (2).
(6) Non-DSDR A&G and Carrying Costs are allocated on the basis of revenue requirements (before adjustment for incentives) assigned in columns (3) and (4).
(7) Net DSM Revenue Requirements are derived on Evans Exhibit No. 2

PROGRESS ENERGY CAROLINAS, INC.

EE/DSM Billing Rate - July 2011 through June 2012

Revenue Adjustment Factors

Residential Adjustment Factor

1	Billed kWh (12ME 12/31/11)	*Per Books*	2,295,378,139
2	Billed RECD kWh (12ME 12/31/11)	*Per Books*	364,643,178 (a)
3	RECD kWh Percent of Total Billed	*Line 2 / Line 1*	15.8860%
4	RECD Discount Percentage	*RECD Discount*	5.0000% (b)
5	RECD Impact (Weighted Discount)	*Line 3 x Line 4*	0.7943% (d)
6	Uncollectable Estimate for Forecast Period	*W/P B-6*	0.7019% (c)
7	Residential Adjustment Factor for Rate Period	*Line 5 + Line 6*	**1.4962%** (d)

General Service Adjustment Factor

8	Uncollectable Estimate for Forecast Period	*W/P B-6*	0.0593% (c)
9	General Service Adjustment Factor for Rate Period	*Line 8*	**0.0593%** (d)

Notes:

(a) Energy billed and discounted pursuant to Residential Energy Conservation Discount, Rider RECD-2B.
(b) Five-percent discount provided under Residential Energy Conservation Discount, Rider RECD-2B.
(c) Estimated incremental level of uncollectables associated with DSM/EE billings.
(d) Estimated impacts of uncollectable and RECD related discounts will be trued up to actual amounts.

PROGRESS ENERGY CAROLINAS, INC.

EE/DSM Billing Rate - July 2011 through June 2012

All rates are shown in dollars per kWh

Rates Net of South Carolina Gross Receipts Taxes (GRT) and Regulatory Fee

SC Rate Class	Total EE Rate (1)	Total DSM Rate (2)	Total DSM/EE Rate (3)	RECD & Uncollectible Adjustment (4)	DSM/EE Rate (5)
Residential	$0.002311	$0.001996	$ 0.004307	$0.000065	$0.00437
General Service	0.001286	0.000935	0.002221	0.000001	$0.00222
Lighting	0.000000	0.000000	0.000000	0.000000	$0.00000

Rates Including SC Gross Receipts Taxes at 0.30% and Regulatory Fee at 0.153694%

SC Rate Class	DSM/EE Rate *(net of GRT and Regulatory Fee)* (6)	Gross Receipts Tax and Regulatory Fee Adjustment (7)	DSM/EE Billing Rate (8)
Residential	$0.00437	$0.00002	$0.00439
General Service	0.00222	0.00001	0.00223
Lighting	0.00000	0.00000	0.00000

NOTES:

(1) Total EE Rate is derived in Evans Exhibit No. 6, column (10).
(2) Total DSM Rate is derived in Evans Exhibit No. 7, column (10).
(3) Total DSM/EE Rate is sum of columns (1) and (2).
(4) Adjustment factors derived in Evans Exhibit No. 8 applied to column (3)
(5) DSM/EE Rate is derived from the sum of columns (3) and (4) and rounded to 5 decimal points..
(6) DSM/EE Billing Rate from column (5)
(7) Calculated Gross Receipts Tax and Regulatory Fee at the combined rate of 0.453694% on column (6)
(8) DSM/EE Billing Rate is derived from the sum of columns (6) and (7) and rounded to 5 decimal points.