

Initial meeting of the Community Energy Advisory Council Meeting minutes – June 21, 2007

The initial meeting of the Community Energy Advisory Council was held Thursday, June 21, at the N.C. Arboretum in Asheville. Members present included Edna Campos, Brownie Newman (alternate for Robin Cape), Vernon Daugherty, Lee Galloway, David Gantt, Dave Hollister, Rick Lutovsky, Jeff Loven, Margie Meares, Michael Shore, LaVoy Spooner and Paul Szurek.

1. Robert Sipes, Progress Energy's Western Region vice president, opened the meeting and introduced Progress Energy Chairman and CEO Bob McGehee, who provided a broad overview of energy issues and an update on the events and issues that prompted Progress Energy to form the community advisory panel. McGehee emphasized Progress Energy's commitment to energy efficiency (including the company's recently announced goal of displacing 2,000 megawatts of power generation through efficiency and conservation programs).

2. McGehee thanked the members for agreeing to serve on the council and reminded them of the critical work ahead in helping Progress Energy and the community take full advantage of energy-efficiency opportunities. McGehee also addressed a number of questions from board members:

- Michael Shore: Why didn't we have a community panel before we started down the road of the Woodfin combustion-turbine plant?

McGehee indicated that in the past, siting and building peaking plants was a relative non-event in most communities (due to the fact that they use oil or natural gas as the primary fuel and run only a small fraction of the time). The company learned in the Woodfin proposal that the community wants to be engaged in the process. The company will involve the public early and often in the process of making and implementing resource decisions.

- Brownie Newman: Is the council in place for a set period of time or open-ended?

There is no specific time-frame for the panel's work.

- Jeff Loven: What about transmission projects?

There will be needed transmission projects in the region to meet the demands of growth and the need for reliability. Progress Energy is working collaboratively with other utilities and interested parties to evaluate transmission needs across the state.

- Dave Hollister: Is Progress Energy committed to sharing financial information, so that the CEAC can make informed decisions and recommendations?

Yes, the company will share as much information as possible. The charter also provides for closed sessions to allow members to hear and discuss proprietary information.

3. Sam Waters, director of system planning for Progress Energy Carolinas, provided an overview of the Progress Energy electric system that serves Western North Carolina. Waters discussed the existing power-purchased contract that is supplying 250 MW of capacity and energy to meet the region's needs. The contract expires at the end of 2009. That pending expiration is what prompted Progress Energy to seek approval for combustion-turbine peaking units at the Woodfin site in late 2006.

Waters discussed the complex modeling and planning used to make energy resource decisions for how best to meet WNC's energy needs. He discussed the utility's operation of a single Carolinas system (despite the fact that its WNC service area is not contiguous with its eastern N.C. service area) and the utility's responsibilities in meeting expectations for reliability and adequacy of resources, while meeting the regulatory expectation of providing the lowest-cost option for serving customers. Waters also addressed a number of questions from board members.

- Lee Galloway: How much of the region's load is represented by the contract with AEP?

The estimated 2010 winter peak load for the western region is 1,000 MW. The AEP contract is for 250 MW. We have contracted with Southern Company for 150 MW, but still need another 100-130 MW (supply side or demand side) by 2010.

- David Gantt: What are the consequences of turning off someone's power during peak demand?

This is not an option. Not only would we fail to meet the customer's expectations for reliable service, but Progress Energy also would face potentially severe penalties from the N.C. Utilities Commission.

- Gantt: What is Progress Energy's reserve margin for generation capacity, and how much energy can the WNC service area get from the eastern service area?

Progress Energy uses a guideline of 11-13 percent reserve capacity. The company can move approximately 136 MW of power from east to west, and we are evaluating options for increasing that capacity.

- Dave Hollister: Do you consider changing rates to incent customers to be more efficient?

We have many programs and rates in place that are designed to drive efficiency, on the residential, commercial and industrial levels. Customers participate in these voluntarily. We have not proposed raising rates across the board.

- Brownie Newman: Progress Energy has to plan to replace power for a lost generation unit within 15 minutes. But how often does a large coal-fired unit go out of service.

Coal-fired power plants have many parts, and unplanned outages occur. We plan on plants being out of service approximately 5 percent of the time. Since we cannot pinpoint when those outages will occur, we must be prepared to replace that power quickly to meet customer demand.

4. Lloyd Yates, president and CEO of Progress Energy Carolinas (the utility that serves 1.4 million households and businesses in the Carolinas) provided an overview of the company's current and planned energy efficiency programs for customers, including demand-response programs (such as direct water heater and thermostat controls that can reduce peak demand) to general efficiency measures (such as lighting and HVAC upgrades, etc., that can save energy around the clock). Yates reviewed the typical energy use for WNC households and emphasized the shared goal of identifying and implementing the most impactful programs for WNC and gaining widespread community awareness and participation.

5. Jo Anne Sanford, former chair of the N.C. Utilities Commission, was introduced as the facilitator for the group, and managed the meeting's conclusion. She took input from the members present regarding future meeting agendas (to include regulatory and efficiency overviews and other pertinent information) as well as meeting locations and proposed panel additions.

The next meeting of the CEAC will be Friday, July 20, from 8:30 to 11:30 a.m. at Asheville-Buncombe Technical Community College, 340 Victoria Road, Asheville.

All presentation and materials referenced are available on the Web site at www.progress-energy.com/wnc.