Progress Energy

October 27, 2010

Hon. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: *Carolina Power & Light Company*
Docket No. ER11-_____-000

Dear Ms. Bose:

On February 23, 2010, Carolina Power & Light Company ("PEC") and Duke Energy Carolinas, LLC ("Duke") filed with the Federal Energy Regulatory Commission ("Commission") an agreement entitled "Managing Non-Firm Parallel Flow Agreement on the Progress/Duke Interface With the PJM Balancing Authority," executed on February 22, 2010 ("Non-Firm Parallel Flow Agreement").[1] The Non-Firm Parallel Flow Agreement (a) provides a framework for the parties to establish a new methodology to calculate non-firm Available Transfer Capability ("ATC") values at the PEC and Duke interface with PJM ("NC Interface") and (b) establishes a transmission revenue allocation mechanism and a process for compensation of losses associated with non-firm parallel flows across the NC Interface. The Commission accepted the Non-Firm Parallel Flow Agreement for filing effective as of April 30, 2010.[2]

Pursuant to Section 205 of the Federal Power Act,[3] PEC hereby submits for filing an amended and restated Non-Firm Parallel Flow Agreement. The amended and restated Non-Firm Parallel Flow Agreement is attached as Attachment A and a marked copy showing the revisions to the original Non-Firm Parallel Flow Agreement is attached as Attachment B. PEC has elected not to use the prior tariff designation system and to remove Order No. 614 formatting as well. Accordingly the amended and restated Non-Firm Parallel Flow Agreement is referred to simply as "Rate Schedule No. 187," and the redline reflects the removal of headers and footers.

I. Description of Certain of the Amended and Restated Provisions Related to ATC Calculation

Sections 3.1 and 3.2 of the original Non-Firm Parallel Flow Agreement provide, among other things, that Duke and PEC shall agree to implement an ATC calculation method for the NC

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[1] *See Managing Non-Firm Parallel Flow Agreement on the Progress/Duke Interface With the PJM Balancing Authority*, Docket No. ER10-789-000 (February 23, 2010).

[2] *Letter Order*, Docket No. ER10-789-000 (issued April 26, 2010).

[3] 16 U.S.C. § 824d.

Interface and contain a description of certain elements of such method. Section 3.3 of the original Non-Firm Parallel Flow Agreement provides that "PEC and Duke shall design and implement this ATC calculation method within one-hundred and eighty (180) days of the Effective Date of this Agreement." The effective date of the original Non-Firm Parallel Flow Agreement is April 30, 2010, and therefore the deadline for the design and implementation of the ATC calculation method as stated above is October 27, 2010. The agreement also provides in Section 2.2(c) that "if, during the implementation period, any issues should arise which would make it appropriate to consider amending this Agreement, the Parties shall enter into good faith negotiations to so amend the Agreement."

During the implementation period for the ATC calculation method (the period from the effective date of the original Non-Firm Parallel Flow Agreement to October 27, 2010), PEC and Duke each have elected to design and implement a calculation methodology consistent with the flowgate methodology described in the applicable MOD Reliability Standards promulgated by the North American Electric Reliability Corporation and approved by the Commission.[4] The Commission has ruled that the applicable MOD Reliability Standards shall become effective on April 1, 2011.[5]

Therefore, PEC and Duke have entered into good faith negotiations pursuant to Section 2.2(c) of the original Non-Firm Parallel Flow Agreement and have agreed to amend and restate Sections 3.1, 3.2 and 3.3 of the agreement to provide, among other things, that (i) Duke and PEC shall agree to and implement a calculation methodology compliant with applicable NERC MOD reliability standards and (ii) Duke and PEC shall design and implement an ATC calculation methodology by April 1, 2011, which is the effective date of the MOD Reliability Standards.

II. Effective Date

Consistent with the Commission's notice requirements, PEC and Duke request an effective date of December 27, 2010, which is at least 60 days after the date of this filing.

III. Correspondence and Communication

The following individuals are designated for inclusion on the official service list in this proceeding and for receipt of any communications regarding this filing:

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[4] *Mandatory Reliability Standards for the Calculation of Available Transfer Capability, Capacity Benefit Margins, Transmission Reliability Margins, Total Transfer Capability, and Existing Transmission Commitments and Mandatory Reliability Standards for the Bulk-Power System*, 129 FERC ¶ 61,155 at PP 87 and 95 (2009), *order on clarification*, 131 FERC ¶ 61,109 (2010), *order on rehearing*, 132 FERC ¶ 61,027 (2010) at P 13 (directing that the MOD Reliability Standards shall become effective on April 1, 2011).

[5] *Id.*

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IV. Service

Electronic service is permitted as of November 3, 2008, under the Commission's regulations[6] pursuant to Order No. 714[7] and the Commission's Notice of Effectiveness of Regulations issued on October 28, 2008, in Docket No. RMOI-5-000. PEC and Duke will post a copy of this filing to the FERC filings section of their respective internet sites, located at the following link: http://www.progress-energy.com/aboutenergy/ferc/index.asp and http://www.ferc.duke-enrgy.com/ with a specific link to the newly-filed document, and will send an e-mail on the same date as this filing to all transmission service customers and to the North Carolina Utilities Commission and the South Carolina Public Service Commission alerting them that this filing has been made by PEC and Duke today and is available by following such link.

Respectfully submitted,

/s/

Kendal C. Bowman
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410 South Wilmington, St
Raleigh, NC 27602
91-546-6794
kendal.bowman@pgnmail.com

[6] *See* 18 C.F.R. §§ 35.2, 154.2, 154.208 and 341.2.

[7] *Electronic Tariff Filings*, Order No. 714, 124 FERC ¶ 61,270 (2008).

Attachment A

Clean Copy of Rate Schedule

AMENDED AND RESTATED

MANAGING NON-FIRM PARALLEL FLOW

ON THE PROGRESS/DUKE INTERFACE

WITH THE PJM BALANCING AUTHORITY

AGREEMENT BETWEEN

PROGRESS ENERGY CAROLINAS, INC.

AND

DUKE ENERGY CAROLINAS, LLC

AMENDED AND RESTATED MANAGING NON-FIRM PARALLEL FLOW ON THE PROGRESS/DUKE INTERFACE WITH THE PJM BALANCING AUTHORITY AGREEMENT BETWEEN PROGRESS ENERGY CAROLINAS, INC. AND DUKE ENERGY CAROLINAS, LLC

THIS AGREEMENT (the "Agreement") is made and entered into this 27th day of October 2010 (the "Effective Date"), by and between Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. ("Progress"), and Duke Energy Carolinas, LLC ("Duke"). Progress and Duke are also referred to herein individually as a "Party" and jointly as the "Parties."

WITNESSETH

WHEREAS, Progress owns and operates electric transmission facilities that connect directly to Duke and PJM; and

WHEREAS, Duke also owns and operates electric transmission facilities that connect directly to Progress and PJM; and

WHEREAS, the Parties desire to develop a process to manage the non-firm power flow on the Progress/Duke interfaces with the PJM Balancing Authority ("PJM BA") and to ensure equitable treatment of the impact of power transfers to and from the PJM BA.; and

WHEREAS, the Parties desire to define their respective rights and responsibilities relating to managing the non-firm power flow on the Parties' respective systems; and

WHEREAS, the Parties have entered into the Managing Non-Firm Parallel Flow Agreement on the Progress/Duke Interface With the PJM Balancing Authority, executed on February 22, 2010 and accepted for filing by the Federal Energy Regulatory Commission as of April 30, 2010 (the "Non-Firm Parallel Flow Agreement"); and

WHEREAS, the Parties have agreed to amend and restate the Non-Firm Parallel Flow Agreement on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and of the mutual benefits to be obtained from the covenants herein, the Parties do hereby agree as follows:

ARTICLE 1

DEFINITIONS

Whenever used in this Agreement, appendices, and attachments hereto, the following terms shall have the following meanings:

1.01 "AFC" shall mean a measure of the flow capability remaining on a Flowgate for further commercial activity over and above already committed uses.

1.02 “ATC” shall mean Available Transfer Capability.

1.03 “BA” shall mean Balancing Authority.

1.04 “Bulk Electric System” shall mean the electrical generation resources, transmission lines, interconnections with neighboring systems, and associated equipment, generally operated at voltages of 100 kV or higher.

1.05 “CBM” shall mean Capacity Benefit Margin.

1.06 “CPLE” shall mean the eastern BA of Progress.

1.07 “CPLW” shall mean the western BA of Progress.

1.08 “FERC” shall mean the Federal Energy Regulatory Commission or any successor agency thereto.

1.09 “Flowgate” shall mean a mathematical construct, comprised of one or more monitored transmission facilities and optionally one or more contingency facilities, used to analyze the impact of power flows upon the Bulk Electric System.

1.10 “Interchange Transaction” shall mean an agreement to transfer energy from a seller to a buyer that crosses one or more BA area boundaries.

1.11 “NERC” shall mean the North American Electric Reliability Corporation or successor organization, which has been certified by FERC as the Electric Reliability Organization pursuant to Section 215 of the Federal Power Act to establish and enforce Reliability Standards.

1.12 “OASIS” shall mean the Open Access Same-Time Information System required by FERC for the posting of market and transmission data on the Internet.

1.13 “OATT” shall mean the applicable open access transmission tariff.

1.14 “SERC” shall mean the SERC Reliability Corporation, a Regional Reliability Organization.

1.15 “Transfer Distribution Factor” shall mean the portion of an Interchange Transaction, typically expressed in per unit that flows across a transmission facility (Flowgate).

1.16 “TRM” shall mean Transmission Reliability Margin.

ARTICLE 2

TERMS OF AGREEMENT

2.1 Effective Date and Term: This Agreement and the Parties' respective rights and obligations hereunder shall commence on the Effective Date and shall remain in effect until (a) the Parties agree to terminate this Agreement; or (b) thirty days (30) after one Party provides the other party with written notice of its intent to terminate the Agreement.

2.2 Review of this Agreement: Subject to the provisions of Section 3.3 hereof, this Agreement shall be reviewed (a) annually, or (b) whenever material changes to, operating conditions or other issues make it desirable for either Party to request the modification of this agreement, or (c) if, during the implementation period, any issues should arise which would make it appropriate to consider amending this Agreement, the Parties shall enter into good faith negotiations to so amend the Agreement.

2.3 Obligations Prior To Termination: In the event that this Agreement is to be terminated under any of its provisions, the Parties agree to enter into good faith negotiations prior to termination to develop a successor arrangement which recognizes the need to manage non-firm parallel flow on the Progress/Duke interfaces with the PJM BA.

ARTICLE 3

ATC CALCULATION

3.1 The Duke/Progress interface with PJM will be managed under a coordinated AFC process between such parties. This coordinated AFC process will require the coordination of items such as Flowgate identification for inclusion in each Party's AFC calculations, the use of AFC overrides, and the coordination of Transfer Distribution Factor cut-offs on specified Flowgates. The Parties shall agree to implement a calculation methodology compliant with applicable NERC MOD reliability standards.

3.2 Reserved.

3.3 Progress and Duke shall design and implement an ATC calculation methodology by April 1, 2011.

ARTICLE 4

REVENUE ALLOCATION

4.1 Solely for the purposes of this Agreement and only for so long as this Agreement or successor thereto is in effect, Progress/Duke capability to import/export power into/out of PJM is treated as one interface for purposes of allocating revenues in accordance with this Article.

4.2 The revenue for transmission service and losses will be allocated between Duke and Progress regardless of which party sold the transmission service. This revenue allocation will be based on the revenue received by Duke and Progress for point to point transmission service sold that is used to support actual scheduled (tagged) non-firm power movement from/to PJM. This revenue is calculated at the price at which each reservation was sold and is limited to the portion of such revenue that a Party collects for service provided under actual schedules. The revenue allocation will be 60% to Progress and 40% to Duke.

4.3 If a change is needed to the Progress and Duke OATTs to effectuate the revenue allocation provided for in Section 4.2, then both Parties agree to file such changes to their OATTs with FERC.

ARTICLE 5

COMPENSATION FOR LOSSES DUE TO PARALLEL FLOW ASSOCIATED WITH NON-FIRM SCHEDULES (TAGS) TO/FROM PJM

5.1 Compensation for losses associated with the non-firm transmission service actually scheduled (tagged) will be included in the revenue allocation provided in Article 4. A matrix will be developed to identify which NC/PJM and PJM/NC non-firm schedules are expected to increase losses on the Progress and/or Duke systems. Compensation for losses will be limited to those schedules identified by said matrix as expected to increase losses on the other Party's system; loss compensation will not occur for schedules created by one party which are expected to decrease losses on the other Party's system. Compensation for losses will be calculated by using the transacting Party's hourly incremental costs used for Energy Imbalance, as defined in each Party's OATT multiplied by the amount of losses provided by each applicable schedule. The resulting compensation for losses shall be then allocated in accordance with the provisions of Section 4.2 hereof.

5.2 Progress and Duke shall design and implement this compensation for losses method by October 27, 2010.

ARTICLE 6

MISCELLANEOUS

6.1 Non-Waivers: Failure by either Party to insist upon strict performance of any of the provisions hereof, or either Party's failure or delay in exercising any rights or remedies provided herein or by law, shall not release either Party from any of its obligations under this Agreement, shall not be deemed a waiver of any rights of the Parties to insist upon strict performance hereof or any of its rights or remedies under this Agreement or by law, and shall not operate as a waiver of any of the provisions hereof.

6.2 Successors and Assigns: This Agreement shall inure to the benefit of, and be binding upon, the Parties and their respective successors and assigns, and will not be assignable by any Party without the prior written consent of the other Party; *provided, however,* that either Party may, without such consent, assign its rights and obligations under this Agreement (I) in connection with a corporate reorganization, to any affiliate, (2) in connection with a merger, consolidation, or sale of substantially all of such Party's electric power transmission assets to an unrelated third party, or (3) in connection with the transfer of ownership, operation, and/or control of such Party's electric transmission assets or system to a regional transmission organization or independent system operator in compliance with the requirements of a FERC or North Carolina Utilities Commission order or orders; *and provided further* that such Party's rights and obligations under this Agreement shall be assumed by its successor in interest or assignee in any transaction, transfer or assignment pursuant to this Section 6.2. Consent hereunder shall not be unreasonably withheld or delayed.

6.3 Effect of Section Headings: Article and section headings appearing in this Agreement are inserted for convenience of reference only and shall in no way be construed to be interpretations of the text of this Agreement.

6.4 No Third-Party Beneficiaries: This Agreement is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest and where permitted, their assigns.

6.5 Relationship of the Parties: Nothing contained in this Agreement shall be construed to create an association, joint venture, partnership or any other type of business entity between Progress and Duke. Neither Progress nor Duke shall take any action inconsistent with the obligations or commitments of the other hereunder.

6.6 Default: In the event of a Party's failure to perform a material obligation imposed upon it by this Agreement, the defaulting Party shall, within thirty days after its receipt of written notice of the existence and nature of such failure, take all steps necessary to cure such default as promptly and completely as possible. Should the defaulting Party fail to cure said default within a reasonable period of time, the other Party shall have the right to cure. In such event, the defaulting Party shall pay to the other Party, promptly upon demand, the total expenses (including attorney's fees, if any) incurred by the other Party in curing such default.

6.7 Resolution of Disputes: Where a dispute arises concerning interpretation or application of this Agreement, the Parties shall attempt to resolve the dispute by discussion between representatives of the Parties. If such representatives are unable to resolve the dispute, the dispute shall be referred to higher authorities within each of the Parties' respective organizations. In the event that such referral fails to resolve the dispute, either Party may invoke such remedies at law or equity as may be available to it for resolution of a dispute concerning interpretation or application of this Agreement.

6.8 Governing Law: This Agreement shall be governed by the laws of the State of North Carolina.

ARTICLE 7

FORCE MAJEURE, RESPONSIBILITY AND INDEMNIFICATION, AND LIMITATION OF LIABILITY

7.1 Force Majeure: In the event that either Party should be delayed in, or prevented from, performing or carrying out any of the agreements, covenants and obligations made by, and imposed upon, said Party by this Agreement, by reason of or through any cause reasonably beyond its control and not attributable to its neglect, including strike, stoppage in labor, failure of contractors or suppliers of materials, riot, fife, flood, ice, invasion, civil war, commotion, insurrection, military or usurped power, order of any court granted in any bona fide adverse legal proceeding or action, order of any civil or military authority (either de facto or de jure), explosion, act of God or public enemies, failure or malfunction of system facilities, unscheduled outage of generating units or transmission facilities that clearly impact the Parties; then, in each such case or cases, the affected Party shall be relieved of performance under this Agreement and shall not be liable to the other Party for or on account of any loss, damage, injury or expense (including consequential damages and cost of replacement power) resulting from or arising out of any such delay or prevention from performing; provided, however, the Party suffering any such delay or prevention shall use due and, in its judgment, practicable diligence to remove the cause(s) thereof; and provided further, neither Party shall be required by the foregoing provisions to settle a strike affecting it except when, according to its own best judgment, such a settlement seems advisable.

7.2 Responsibility and Indemnification: Each Party expressly agrees to: (1) indemnify and save harmless and defend the other Party (including the latter's parent, subsidiaries, affiliates and their respective officers, directors and agents) against all claims, demands, costs or expense for loss, damage or injury to property or to any person(s) (including death) in any manner directly connected with or directly growing out of the performance of its obligations under this Agreement, unless due to or caused by negligence or willful action of the other Party, when such injury or damage occurs on a Party's respective side of the Point of Interconnection; and (2) waive all rights against and release the other Party for any liability it may incur for payment, if any, of benefits to its own employees under any statutory obligation.

7.3 Limitation of Liability: Neither Party hereto (including its parent, subsidiaries, affiliates and their respective officers, directors, agents or employees) shall have any liability in contract, tort or otherwise to the other Party for any incidental or consequential damages, including but not limited to interest or carrying charges, expenses arising from cost of capital, loss of profits or revenue, claims of customers related to electrical service, or cost of purchased or replacement power.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized officers, and copies delivered to each Party, as of the day and year first above stated.

PROGRESS ENERGY CAROLINAS, INC.

BY: /s/ Kenneth R. Wilkerson

Kenneth R. Wilkerson
Director, Energy Control Center

DUKE ENERGY CAROLINAS, LLC

BY: /s/ Vohn Nelson Peeler, Jr.

Vohn Nelson Peeler, Jr.
Vice President, Electric System Operations

Attachment B

Marked Copy of Rate Schedule

AMENDED AND RESTATED

MANAGING NON-FIRM PARALLEL FLOW

ON THE PROGRESS/DUKE INTERFACE

WITH THE PJM BALANCING AUTHORITY

AGREEMENT BETWEEN

PROGRESS ENERGY CAROLINAS, INC.

AND

DUKE ENERGY CAROLINAS, LLC

AMENDED AND RESTATED MANAGING NON-FIRM PARALLEL FLOW ON THE PROGRESS/DUKE INTERFACE WITH THE PJM BALANCING AUTHORITY AGREEMENT BETWEEN PROGRESS ENERGY CAROLINAS, INC. AND DUKE ENERGY CAROLINAS, LLC

THIS AGREEMENT (the ~~"~~"Agreement~~")~~") is made and entered into this ~~22nd~~27th day of ~~February~~October 2010 (the ~~"~~"Effective Date~~"),~~"), by and between Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. ~~("~~("Progress~~"),~~"), and Duke Energy Carolinas, LLC ~~("~~("Duke~~").~~"). Progress and Duke are also referred to herein individually as a ~~"~~"Party~~"~~" and jointly as the ~~"~~"Parties~~."~~."

WITNESSETH

WHEREAS, Progress owns and operates electric transmission facilities that connect directly to Duke and PJM; and

WHEREAS, Duke also owns and operates electric transmission facilities that connect directly to Progress and PJM; and

WHEREAS, the Parties desire to develop a process to manage the non-firm power flow on the ~~combined~~ Progress/Duke ~~interface~~interfaces with the PJM Balancing Authority ~~("~~("PJM BA~~")~~") and to ensure equitable treatment of the impact of power transfers to and from the PJM BA.; and

WHEREAS, the Parties desire to define their respective rights and responsibilities relating to managing the non-firm power flow on the Parties' respective systems; and

WHEREAS, the Parties have entered into the Managing Non-Firm Parallel Flow Agreement on the Progress/Duke Interface With the PJM Balancing Authority, executed on February 22, 2010 and accepted for filing by the Federal Energy Regulatory Commission as of April 30, 2010 (the "Non-Firm Parallel Flow Agreement"); and

WHEREAS, the Parties have agreed to amend and restate the Non-Firm Parallel Flow Agreement on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and of the mutual benefits to be obtained from the covenants herein, the Parties do hereby agree as follows:

ARTICLE 1

DEFINITIONS

Whenever used in this Agreement, appendices, and attachments hereto, the following terms shall have the following meanings:

1.01 ~~"~~“AFC” shall mean a measure of the flow capability remaining on a Flowgate for further commercial activity over and above already committed uses.

1.02 “ATC~~"~~” shall mean Available Transfer Capability.

1.~~02 "~~03 “BA~~"~~” shall mean Balancing Authority.

1.~~03 "~~04 “Bulk Electric System” shall mean the electrical generation resources, transmission lines, interconnections with neighboring systems, and associated equipment, generally operated at voltages of 100 kV or higher.

1.05 “CBM~~"~~” shall mean Capacity Benefit Margin.

1.~~04 "~~06 “CPLE~~"~~” shall mean the eastern BA of Progress.

1.~~05 "~~07 “CPLW~~"~~” shall mean the western BA of Progress.

1.~~06 "~~08 “FERC~~"~~” shall mean the Federal Energy Regulatory Commission or any successor agency thereto.

1.~~07 "~~09 “Flowgate” shall mean a mathematical construct, comprised of one or more monitored transmission facilities and optionally one or more contingency facilities, used to analyze the impact of power flows upon the Bulk Electric System.

1.10 “Interchange Transaction” shall mean an agreement to transfer energy from a seller to a buyer that crosses one or more BA area boundaries.

1.11 “NERC~~"~~” shall mean the North American Electric Reliability Corporation or successor organization, which has been certified by FERC as the Electric Reliability Organization pursuant to Section 215 of the Federal Power Act to establish and enforce Reliability Standards.

1.~~08 "~~12 “OASIS~~"~~” shall mean the Open Access Same-Time Information System required by FERC for the posting of market and transmission data on the Internet.

1.~~09 "OATT'~~13 “OATT” shall mean the applicable open access transmission tariff.

1.~~10"~~14 “SERC~~"~~” shall mean the SERC Reliability Corporation, a Regional Reliability Organization.

1.~~11 "~~15 “Transfer Distribution Factor” shall mean the portion of an Interchange Transaction, typically expressed in per unit that flows across a transmission facility (Flowgate).

1.16 “TRM~~"~~” shall mean Transmission Reliability Margin.

ARTICLE 2

TERMS OF AGREEMENT

2.1 Effective Date and Term: This Agreement and the Parties' respective rights and obligations hereunder shall commence on the Effective Date and shall remain in effect until (a) the Parties agree to terminate this Agreement; or (b) thirty days (30) after one Party provides the other party with written notice of its intent to terminate the Agreement.

2.2 Review of this Agreement: Subject to the provisions of Section 3.3 hereof, this Agreement shall be reviewed (a) annually, or (b) whenever material changes to, operating conditions or other issues make it desirable for either Party to request the modification of this agreement, or (c) if, during the implementation period, any issues should arise which would make it appropriate to consider amending this Agreement, the Parties shall enter into good faith negotiations to so amend the Agreement.

2.3 Obligations Prior To Termination: In the event that this Agreement is to be terminated under any of its provisions, the Parties agree to enter into good faith negotiations prior to termination to develop a successor arrangement which recognizes the need to manage non-firm parallel flow on the Progress/Duke ~~Interface~~interfaces with the PJM BA.

ARTICLE 3

ATC CALCULATION

3.1 The ~~process shall calculate non-firm import/export ATC values for the combined~~ Duke/Progress interface ~~("NC Interface") with~~ with PJM will be managed under a coordinated AFC process between such parties. This coordinated AFC process will require the coordination of items such as Flowgate identification for inclusion in each Party's AFC calculations, the ~~PJM BA. The NC/PJM~~use of AFC overrides, and ~~PJM/NC ATC values calculated will then be posted and used to replace the ATCs for Duke's Duke/PJM and PJM/Duke paths and the Progress' CPLE/PJM, CPLW/PJM, PJM/CPLE and PJM/CPLW paths. ATC on these paths will be recalculated and decremented together as non-firm transmission service on these paths is sold. Duke and Progress shall use these ATC values for providing non-firm transmission service.~~

~~3.2 The~~ the coordination of Transfer Distribution Factor cut-offs on specified Flowgates. The Parties ~~will~~shall agree to ~~and~~ implement a ~~consistent non-firm ATC~~ calculation ~~method for the NC Interface. No changes to that method will be used unless agreed upon by the Parties. Any such method agreed to shall be~~methodology compliant with ~~all~~ applicable NERC ~~and Regional Reliability Standards. Progress will calculate such ATC values according to the agreed-upon method and the provisions of this Agreement which shall include and not be limited to the following:~~ MOD reliability standards.

~~3.2.1 The ATC calculation process will use reservations that impact the NC Interface.~~

~~3.2.2 Tag data impacting the NC Interface will be downloaded hourly from OATI and used to calculate ATC. The tags are used in the ATC process for current day and starting at 10 AM for the next day ATC evaluations.~~

~~3.2.3 Non-firm reservations from Progress or Duke that are approved, but not tagged, will also be reserved on this path and reflected in the ATC calculation.~~

~~3.2.4 The larger of the applicable Progress or Duke TRM/CBM values will be used for this calculation.~~

~~3.2.5 The contract path limit for each path will be the combined connected capability of Progress and Duke with PJM.~~

3.2 Reserved.

3.3 Progress and Duke shall design and implement ~~this~~an ATC calculation

~~method within one-hundred and eighty (180) days of the Effective Date of this Agreement~~methodology by April 1, 2011.

ARTICLE 4

REVENUE ALLOCATION

4.1 Solely for the purposes of this Agreement and only for so long as this Agreement or successor thereto is in effect, Progress/Duke capability to import/export power into/out of PJM is treated as one interface for purposes of allocating revenues in accordance with this Article.

4.2 The revenue for transmission service and losses will be allocated between Duke and Progress regardless of which party sold the transmission service. This revenue allocation will be based on the revenue received by Duke and Progress for point to point transmission service sold that is used to support actual scheduled (tagged) non-firm power movement from/to PJM. This revenue is calculated at the price at which each reservation was sold and is limited to the portion of such revenue that a Party collects for service provided under actual schedules. The revenue allocation will be 60% to Progress and 40% to Duke.

4.3 If a change is needed to the Progress and Duke ~~OATIs~~OATTs to effectuate the revenue allocation provided for in Section 4.2, then both Parties agree to file such changes to their OATTs with FERC.

ARTICLE 5

COMPENSATION FOR LOSSES DUE TO PARALLEL FLOW ASSOCIATED WITH NON-FIRM SCHEDULES (TAGS) TO/FROM PJM

5.1 Compensation for losses associated with the non-firm transmission service actually scheduled (tagged) will be included in the revenue allocation provided in Article 4. A

matrix will be developed to identify which NC/PJM and PJM/NC non-firm schedules are expected to increase losses on the Progress and/or Duke systems. Compensation for losses will be limited to those schedules identified by said matrix as expected to increase losses on the other Party's system; loss compensation will not occur for schedules created by one party which are expected to decrease losses on the other Party's system. Compensation for losses will be calculated by using the transacting Party's hourly incremental costs used for ~~energy imbalance~~Energy Imbalance, as defined in each Party's OATT multiplied by the amount of losses provided by each applicable schedule. The resulting compensation for losses shall be then allocated in accordance with the provisions of Section 4.2 hereof.

5.2 Progress and Duke shall design and implement this compensation for losses method ~~within one hundred and eighty (180) days of the Effective Date of this Agreement.~~by October 27, 2010.

ARTICLE 6

MISCELLANEOUS

6.1 Non-Waivers: Failure by either Party to insist upon strict performance of any of the provisions hereof, or either Party's failure or delay in exercising any rights or remedies provided herein or by law, shall not release either Party from any of its obligations under this Agreement, shall not be deemed a waiver of any rights of the Parties to insist upon strict performance hereof or any of its rights or remedies under this Agreement or by law, and shall not operate as a waiver of any of the provisions hereof.

6.2 Successors and Assigns: This Agreement shall inure to the benefit of, and be binding upon, the Parties and their respective successors and assigns, and will not be assignable by any Party without the prior written consent of the other Party; *provided, however,* that either Party may, without such consent, assign its rights and obligations under this Agreement (I) in connection with a corporate reorganization, to any affiliate, (2) in connection with a merger, consolidation, or sale of substantially all of such Party's electric power transmission assets to an unrelated third party, or (3) in connection with the transfer of ownership, operation, and/or control of such Party's electric transmission assets or system to a regional transmission organization or independent system operator in compliance with the requirements of a FERC or North Carolina Utilities Commission order or orders; *and provided further* that such Party's rights and obligations under this Agreement shall be assumed by its successor in interest or assignee in any transaction, transfer or assignment pursuant to this Section 6.2. Consent hereunder shall not be unreasonably withheld or delayed.

6.3 Effect of Section Headings: _Article and section headings appearing in this Agreement are inserted for convenience of reference only and shall in no way be construed to be interpretations of the text of this Agreement.

6.4 No Third-Party Beneficiaries:_ This Agreement is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest and where permitted, their assigns.

6.5 Relationship of the Parties: Nothing contained in this Agreement shall be construed to create an association, joint venture, partnership or any other type of business entity between Progress and Duke. Neither Progress nor Duke shall take any action inconsistent with the obligations or commitments of the other hereunder.

6.6 Default: _In the event of a Party's failure to perform a material obligation imposed upon it by this Agreement, the defaulting Party shall, within thirty days after its receipt of written notice of the existence and nature of such failure, take all steps necessary to cure such default as promptly and completely as possible. Should the defaulting Party fail to cure said default within a reasonable period of time, the other Party shall have the right to cure. In such event, the defaulting Party shall pay to the other Party, promptly upon demand, the total expenses (including attorney's fees, if any) incurred by the other Party in curing such default.

6.7 Resolution of Disputes: Where a dispute arises concerning interpretation or application of this Agreement, the Parties shall attempt to resolve the dispute by discussion between representatives of the Parties. If such representatives are unable to resolve the dispute, the dispute shall be referred to higher authorities within each of the Parties' respective organizations. In the event that such referral fails to resolve the dispute, either Party may invoke such remedies at law or equity as may be available to it for resolution of a dispute concerning interpretation or application of this Agreement.

6.8 Governing Law: This Agreement shall be governed by the laws of the State of North Carolina.

ARTICLE 7

FORCE MAJEURE, RESPONSIBILITY AND INDEMNIFICATION, AND LIMITATION OF LIABILITY

7.1 Force Majeure:_ In the event that either Party should be delayed in, or prevented from, performing or carrying out any of the agreements, covenants and obligations made by, and imposed upon, said Party by this Agreement, by reason of or through any cause reasonably beyond its control and not attributable to its neglect, including strike, stoppage in labor, failure of contractors or suppliers of materials, riot, fife, flood, ice, invasion, civil war, commotion, insurrection, military or usurped power, order of any court granted in any bona fide adverse legal proceeding or action, order of any civil or military authority (either de facto or de jure), explosion, act of God or public enemies, failure or malfunction of system facilities, unscheduled outage of generating units or transmission facilities that clearly impact the Parties; then, in each such case or cases, the affected Party shall be relieved of performance under this Agreement and shall not be liable to the other Party for or on account of any loss, damage, injury or expense (including consequential damages and cost of replacement power) resulting from or arising out of any such delay or prevention from performing; provided, however, the Party suffering any such delay or prevention shall use due and, in its judgment, practicable diligence to remove the cause(s) thereof; and provided further, neither Party shall be required by the foregoing provisions to settle a strike affecting it except when, according to its own best judgment, such a settlement seems advisable.

7.2 Responsibility and Indemnification:_ Each Party expressly agrees to: (1) indemnify and save harmless and defend the other Party (including the latter's parent, subsidiaries, affiliates and their respective officers, directors and agents) against all claims, demands, costs or expense for loss, damage or injury to property or to any person(s) (including death) in any manner directly connected with or directly growing out of the performance of its obligations under this Agreement, unless due to or caused by negligence or willful action of the other Party, when such injury or damage occurs on a Party's respective side of the Point of Interconnection; and (2) waive all rights against and release the other Party for any liability it may incur for payment, if any, of benefits to its own employees under any statutory obligation.

7.3 Limitation of Liability:———_Neither Party hereto (including its parent, subsidiaries, affiliates and their respective officers, directors, agents or employees) shall have any liability in contract, tort or otherwise to the other Party for any incidental or consequential damages, including but not limited to interest or carrying charges, expenses arising from cost of capital, loss of profits or revenue, claims of customers related to electrical service, or cost of purchased or replacement power.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized officers, and copies delivered to each Party, as of the day and year first above stated.

PROGRESS ENERGY CAROLINAS, INC.

~~BY: ________________________________~~
~~Caren Anders~~
~~Vice President~~
BY: /s/ Kenneth R. Wilkerson
Kenneth R. Wilkerson
Director, Energy Control Center

DUKE ENERGY CAROLINAS, LLC

~~BY: ________________________________~~
BY: /s/ Vohn Nelson Peeler, Jr.
Vohn Nelson Peeler, Jr.
Vice President, Electric System Operations