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CARLYLE  
SANDRIDGE  
& RICE  
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July 8, 2008

**OFFICIAL COPY**

**Via Hand Delivery**

Ms. Renne Vance, Chief Clerk  
North Carolina Utilities Commission  
430 North Salisbury Street  
Raleigh, North Carolina 27603-5918

Re: Docket No. G-5, Sub 495

Dear Ms Vance:

Please accept for filing in the above-referenced docket 15 copies of the attached revised Item 3 of Public Service Company of North Carolina, Inc. ("PSNC" or "Company") N.C.U.C. Form G-1, and 27 copies of Paton Exhibits 5, 6 and 7 to Ms. Candace A. Paton's testimony as originally filed with the Commission on March 31, 2008. The revised pages in the G-1 are marked "Revised"; all other pages of the G-1 remain unchanged. These revisions are made to correct input errors in the Company's cost of service study and do not otherwise affect PSNC's request in this docket.

An additional copy has been enclosed to be stamped "filed". Please feel free to contact me if you have any questions.

Very truly yours,

*Mary Lynne Grigg*

Mary Lynne Grigg

MLG:ajt

c: Parties of Record

Enclosures

**FILED**  
JUL 08 2008  
Clerk's Office  
N.C. Utilities Commission

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2 PS Econ  
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PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.  
DOCKET NO. G-5, SUB 495  
PER BOOKS COST OF SERVICE STUDY  
FOR THE TEST YEAR ENDED DECEMBER 31, 2007

**FILED**  
**JUL 08 2008**

Paton Exhibit 5  
Revised

Clerk's Office  
N.C. Utilities Commission

DESCRIPTION	TOTAL	RES	SGS	LGS FIRM	LGS INT
<b>OPERATING REVENUES</b>					
RATE SCHEDULE REVENUES	574,092,793	352,889,801	151,985,812	31,567,847	37,649,333
OTHER GAS REVENUES	3,221,664	2,743,207	475,065	2,366	1,027
<b>TOTAL REVENUES</b>	<b>\$577,314,457</b>	<b>\$355,633,008</b>	<b>\$152,460,877</b>	<b>\$31,570,213</b>	<b>\$37,650,360</b>
<b>OPERATING EXPENSES</b>					
COG & OTHER GAS SUPPLY EXP	377,921,183	218,738,278	113,029,695	19,900,362	26,252,849
O&M TOTAL EXPENSES EXCL COG	83,879,701	65,220,747	13,378,743	2,281,860	2,998,351
DEPRECIATION EXPENSE	36,973,767	28,344,050	5,469,426	1,227,876	1,932,415
TAXES OTHER THAN INCOME	8,595,580	6,582,935	1,313,272	281,307	418,066
STATE INCOME TAXES	2,943,138	1,546,253	810,839	331,527	254,518
FEDERAL INCOME TAXES	14,245,617	7,484,301	3,924,689	1,604,685	1,231,941
INVESTMENT TAX CREDIT (NET)	(1,449,706)	(1,093,973)	(220,743)	(52,842)	(82,147)
<b>TOTAL EXPENSES</b>	<b>\$523,109,280</b>	<b>\$326,822,590</b>	<b>\$137,705,921</b>	<b>\$25,574,775</b>	<b>\$33,005,994</b>
<b>OPERATING RETURN AFTER TAXES</b>	<b>\$54,205,177</b>	<b>\$28,810,418</b>	<b>\$14,754,956</b>	<b>\$5,995,437</b>	<b>\$4,644,366</b>
<b>RATE BASE</b>					
GROSS PLANT	1,147,500,277	865,923,753	174,727,052	41,826,741	65,022,732
RESERVES FOR DEPRECIATION	(414,361,078)	(311,286,055)	(64,149,957)	(15,554,817)	(23,370,249)
NET PLT IN SERVICE	733,139,199	554,637,697	110,577,095	26,271,923	41,652,483
WORKING CAPITAL	62,997,642	40,816,980	17,398,220	5,065,305	(282,863)
ACCUMULATED DEFERRED INCOME TAXES	(104,922,583)	(79,376,495)	(15,825,145)	(3,759,884)	(5,961,059)
<b>RATE BASE</b>	<b>\$691,214,258</b>	<b>\$516,078,183</b>	<b>\$112,150,169</b>	<b>\$27,577,345</b>	<b>\$35,408,561</b>
<b>RATE OF RETURN</b>	<b>7.84%</b>	<b>5.58%</b>	<b>13.16%</b>	<b>21.74%</b>	<b>13.12%</b>

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.  
DOCKET NO. G-5, SUB 495  
PRO FORMA COST OF SERVICE STUDY  
FOR THE TEST YEAR ENDED DECEMBER 31, 2007

Paton Exhibit 6  
Revised

DESCRIPTION	TOTAL	RES	SGS	LGS FIRM	LGS INT
<b>OPERATING REVENUES</b>					
RATE SCHEDULE REVENUES	683,975,151	432,040,041	175,677,437	34,242,383	42,015,289
OTHER GAS REVENUES	3,345,175	2,829,536	512,246	2,366	1,027
<b>TOTAL REVENUES</b>	<b>\$687,320,326</b>	<b>\$434,869,578</b>	<b>\$176,189,684</b>	<b>\$34,244,749</b>	<b>\$42,016,315</b>
<b>OPERATING EXPENSES</b>					
COG & OTHER GAS SUPPLY EXP	476,879,987	287,040,425	135,895,210	22,531,972	31,412,381
O&M TOTAL EXPENSES EXCL COG	87,569,278	67,894,925	14,065,739	2,408,775	3,199,839
DEPRECIATION EXPENSE	37,555,784	28,991,719	5,495,920	1,194,480	1,873,664
TAXES OTHER THAN INCOME	9,344,472	7,139,154	1,434,329	308,737	462,252
STATE INCOME TAXES	3,798,385	2,190,078	964,885	390,023	253,399
FEDERAL INCOME TAXES	17,937,733	10,342,563	4,556,633	1,841,871	1,196,666
INVESTMENT TAX CREDIT (NET)	(830,678)	(626,844)	(126,485)	(30,278)	(47,070)
<b>TOTAL EXPENSES</b>	<b>\$632,254,961</b>	<b>\$402,972,021</b>	<b>\$162,286,231</b>	<b>\$28,645,579</b>	<b>\$38,351,130</b>
<b>OPERATING RETURN AFTER TAXES</b>	<b>\$55,065,365</b>	<b>\$31,897,557</b>	<b>\$13,903,453</b>	<b>\$5,599,170</b>	<b>\$3,665,186</b>
<b>RATE BASE</b>					
GROSS PLANT	1,191,285,225	906,248,947	178,941,022	41,609,771	64,485,485
RESERVES FOR DEPRECIATION	(427,817,811)	(321,799,337)	(66,083,437)	(15,950,229)	(23,984,808)
NET PLT IN SERVICE	763,467,414	584,449,610	112,857,585	25,659,542	40,500,677
WORKING CAPITAL	63,039,596	40,852,551	17,403,887	5,065,900	(282,742)
ACCUMULATED DEFERRED INCOME TAXES	(106,359,412)	(80,463,491)	(16,041,858)	(3,811,372)	(6,042,691)
<b>RATE BASE</b>	<b>\$720,147,598</b>	<b>\$544,838,670</b>	<b>\$114,219,614</b>	<b>\$26,914,070</b>	<b>\$34,175,244</b>
<b>RATE OF RETURN</b>	<b>7.65%</b>	<b>5.85%</b>	<b>12.17%</b>	<b>20.80%</b>	<b>10.72%</b>

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.  
DOCKET NO. G-5, SUB 495  
AFTER PROPOSED INCREASE COST OF SERVICE STUDY  
FOR THE TEST YEAR ENDED DECEMBER 31, 2007

Paton Exhibit 7  
Revised

DESCRIPTION	TOTAL	RES	SGS	LGS FIRM	LGS INT
<b>OPERATING REVENUES</b>					
RATE SCHEDULE REVENUES	704,416,652	447,154,452	179,356,906	34,694,504	43,210,789
OTHER GAS REVENUES	3,345,175	2,829,536	512,246	2,366	1,027
<b>TOTAL REVENUES</b>	<b>\$707,761,827</b>	<b>\$449,983,989</b>	<b>\$179,869,153</b>	<b>\$34,696,870</b>	<b>\$43,211,815</b>
<b>OPERATING EXPENSES</b>					
COG & OTHER GAS SUPPLY EXP	476,879,987	287,040,425	135,895,210	22,531,972	31,412,381
O&M TOTAL EXPENSES EXCL COG	87,675,476	67,973,448	14,084,855	2,411,124	3,206,050
DEPRECIATION EXPENSE	37,555,784	28,991,719	5,495,920	1,194,480	1,873,664
TAXES OTHER THAN INCOME	9,344,472	7,139,154	1,434,329	308,737	462,252
STATE INCOME TAXES	5,201,521	3,284,118	1,191,733	393,070	332,601
FEDERAL INCOME TAXES	24,563,991	15,515,789	5,624,884	1,852,959	1,570,360
INVESTMENT TAX CREDIT (NET)	(830,678)	(626,844)	(126,485)	(30,278)	(47,070)
<b>TOTAL EXPENSES</b>	<b>\$640,390,553</b>	<b>\$409,317,809</b>	<b>\$163,600,445</b>	<b>\$28,662,062</b>	<b>\$38,810,237</b>
<b>OPERATING RETURN AFTER TAXES</b>	<b>\$67,371,274</b>	<b>\$40,666,180</b>	<b>\$16,268,708</b>	<b>\$6,034,808</b>	<b>\$4,401,579</b>
<b>RATE BASE</b>					
GROSS PLANT	1,191,285,225	906,248,947	178,941,022	41,609,771	64,485,485
RESERVES FOR DEPRECIATION	(427,817,811)	(321,799,337)	(66,083,437)	(15,950,229)	(23,984,808)
NET PLT IN SERVICE	763,467,414	584,449,610	112,857,585	25,659,542	40,500,677
WORKING CAPITAL	63,039,596	40,852,551	17,403,887	5,065,900	(282,742)
ACCUMULATED DEFERRED INCOME TAXES	(106,359,412)	(80,463,491)	(16,041,858)	(3,811,372)	(6,042,691)
<b>RATE BASE</b>	<b>\$720,147,598</b>	<b>\$544,838,670</b>	<b>\$114,219,614</b>	<b>\$26,914,070</b>	<b>\$34,175,244</b>
<b>RATE OF RETURN</b>	<b>9.36%</b>	<b>7.46%</b>	<b>14.24%</b>	<b>22.42%</b>	<b>12.88%</b>