NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION

September 23, 2021

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
Mail Service Center 4325
Raleigh, North Carolina 27699-4300

Re: Docket No. G-5, Sub 632 – Application of Public Service Company of North Carolina, Inc., for a General Increase in Rates and Charges; and G-5, Sub 634 – Application for Approval to Modify Existing Conservation Programs and Implement New Conservation Programs

Dear Ms. Dunston:

Attached for filing in the above-referenced docket is the testimony and exhibits of Roxie McCullar, Consultant, William Dunkel and Associates.

By copy of this letter, we are forwarding copies to all parties of record.

Sincerely,

s/ Gina C. Holt
Staff Attorney
gina.holt@psncuc.nc.gov

s/ John Little
Staff Attorney
john.little@psncuc.nc.gov

Attachment

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-5, SUB 632
DOCKET NO. G-5, SUB 634

DOCKET NO. G-5, SUB 632	)	
	)	
In the Matter of	)	
Application of Public Service	)	
Company of North Carolina, Inc., for a	)	TESTIMONY OF
General Increase in Rates and	)	ROXIE MCCULLAR
Charges	)	PUBLIC STAFF – NORTH
	)	CAROLINA UTILITIES
DOCKET NO. G-5, SUB 634	)	COMMISSION
	)	
In the Matter of	)	
Application for Approval to Modify	)	
Existing Conservation Programs and	)	
Implement New Conservation	)	
Programs	)	

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BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-5, SUB 632
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TESTIMONY OF ROXIE MCCULLAR

ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION

SEPTEMBER 23, 2021

I. Introduction

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Roxie McCullar. My business address is 8625 Farmington Cemetery Road, Pleasant Plains, Illinois 62677.

Q. WHAT IS YOUR PRESENT OCCUPATION?

A. Since 1997, I have been employed as a consultant with the firm of William Dunkel and Associates and have regularly provided consulting services in regulatory proceedings throughout the country.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I have 20 years of experience consulting in regulatory rate cases and have addressed depreciation rate issues in numerous jurisdictions nationwide. I am a Certified Public Accountant licensed in the state

of Illinois. I am a Certified Depreciation Professional through the Society of Depreciation Professionals. I received my Master of Arts degree in Accounting from the University of Illinois in Springfield. I received my Bachelor of Science degree in Mathematics from Illinois State University in Normal.

Q. HAVE YOU PREPARED AN EXHIBIT THAT DESCRIBES YOUR QUALIFICATIONS?

A. Yes. My qualifications and previous experiences are shown on the attached Exhibit RMM-1.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of the Public Staff of the North Carolina Utilities Commission ("Public Staff").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to address certain depreciation-related issues presented in the testimony and filings of Public Service Company of North Carolina, Inc., d/b/a Dominion Energy North Carolina ("PSNC" or "Company") in this proceeding.

II. Summary

Q. CAN YOU SUMMARIZE YOUR RECOMMENDATIONS?

A. As discussed, and supported in this testimony, a reasonable adjustment to the depreciation parameters proposed in the PSNC

2020 Depreciation Study is the use of a -20% estimated future net salvage percent for Account 476.00, Distribution Mains, instead of -40% recommended by PSNC.

My recommended changes to PSNC's proposed depreciation parameters are based on my review of the 2020 Depreciation Study filed as Spanos Direct Exhibit 2 in this proceeding, my review of Witness Spanos's testimony regarding depreciation related issues filed in this proceeding, my review of the supporting information and workpapers provided in response to discovery, my review of previous Commission orders addressing PSNC's depreciation rates in North Carolina, and my previous experience in depreciation rate proceedings. I also reviewed Witness Spaulding's testimony regarding the impact of PSNC's proposed depreciation rates,[1] and Witness Harris's testimony regarding PSNC's recent projects.[2]

Q. DID YOU PARTICIPATE IN A FIELD VISIT OF PSNC'S FACILITIES IN NORTH CAROLINA?

A. Yes. On July 13-14, 2021, I participated in a field visit to several different PSNC facilities or project locations.[3] At each location,

[1] Direct Testimony of James A. Spaulding page 4, lines 3-14.
[2] Direct Testimony of D. Russel Harris page 5, line 16 through page 9, line 22.
[3] I visited the Stem Compressor Station, a regulator station, a city gate station, a take-off station, and two sites where active retirement projects were underway.

Company personnel and/or outside contractors discussed the facilities and ongoing projects with me.

Q. PLEASE COMPARE THE PUBLIC STAFF'S PROPOSED DEPRECIATION RATES WITH PSNC PROPOSED DEPRECIATION RATES.

A. PSNC's 2020 Depreciation Study results in a $3.8 million decrease in depreciation expense based on December 31, 2020 investments.

The annualized accrual based on the PSNC December 31, 2020 investments using the Public Staff's proposed depreciation rates compared to PSNC's proposed depreciation rates from the 2020 Depreciation Study, Spanos Direct Exhibit 2, are summarized in Table 1 below:

Table 1: Comparison of Annual Depreciation Accrual Amount Using Projected December 31, 2020 Investments

			PSNC Proposed		Public Staff Proposed		
Function	12/31/20 Plant in Service	Current Approved Accrual Amount	Accrual Amount	Difference from Current	Accrual Amount	Difference from Current	Difference from Company Proposed
Other Storage Plant	28,441,559	539,516	931,003	391,487	931,003	391,487	0
Transmission	830,623,953	18,591,750	17,682,820	(908,930)	17,682,820	(908,930)	0
Distribution	1,813,095,816	48,245,290	51,416,319	3,171,029	47,374,413	(870,877)	(4,041,906)
General	86,374,671	10,998,459	5,147,568	(5,850,891)	5,147,568	(5,850,891)	0
General Plant Amortization of Reserve	0	0	(603,278)	(603,278)	(603,278)	(603,278)	0
Total	**2,758,535,999**	**78,375,016**	**74,574,432**	**(3,800,584)**	**70,532,526**	**(7,842,490)**	**(4,041,906)**

The Public Staff's proposed remaining life depreciation rates compared to PSNC's proposed depreciation rates from the 2020 Depreciation Study, Spanos Direct Exhibit 2, are summarized in Table 2 below:

Table 2: Comparison of Proposed Annual Depreciation Rate

Function	12/31/20 Plant in Service	Current Approved Accrual Amount	PSNC Proposed		Public Staff Proposed		
			Accrual Amount	Difference from Current	Accrual Amount	Difference from Current	Difference from Company Proposed
Other Storage Plant	28,441,559	1.90%	3.27%	1.38%	3.27%	1.38%	0.00%
Transmission	830,623,953	2.24%	2.13%	-0.11%	2.13%	-0.11%	0.00%
Distribution	1,813,095,816	2.66%	2.84%	0.17%	2.61%	-0.05%	-0.22%
General	86,374,671	12.73%	5.96%	-6.77%	5.96%	-6.77%	0.00%
General Plant Amortization of Reserve	0						
Total	**2,758,535,999**	**2.84%**	**2.70%**	**-0.14%**	**2.56%**	**-0.28%**	**-0.15%**

Exhibit RMM-2 supports Tables 1 and 2 above.

Q. PLEASE DESCRIBE YOUR EXHIBIT RMM-2.

A. Exhibit RMM-2 contains the calculations of the Public Staff's remaining life proposed depreciation rates for PSNC Natural Gas Plant in North Carolina.

III. Definition of Depreciation

Q. COULD YOU PLEASE PROVIDE THE DEFINITION OF DEPRECIATION?

A. Yes. The Federal Energy Regulatory Commission ("FERC") definitions contained in the FERC Uniform System of Accounts (18 CFR 201 ("FERC USOA") state:

> 12.B. *Depreciation,* as applied to depreciable gas plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of gas plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities, and, in the case of natural gas companies, the exhaustion of natural resources.[4]

The FERC USOA definition of "depreciation" specifically states depreciation is a "loss in service value." FERC defines service value as "the difference between original cost and net salvage value of gas plant."[5]

Since this is a utility regulation proceeding, I rely on the FERC USOA definition of "depreciation" which focuses on the "loss of service value." Determining reasonable depreciation rates is necessary for

[4] FERC Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act. (18 CFR 201).
[5] FERC USOA (18 CFR 201) Definition 37.

establishing the loss in service value of utility cost-based plant-in-service and incorporating it into ratemaking revenue requirement to allow for recovery of that cost.

A. Overview of Depreciation Expense Impact on Revenue Requirement

Q. PLEASE PROVIDE AN OVERVIEW OF THE IMPACT OF DEPRECIATION RATES ON THE REVENUE REQUIREMENT.

A. The depreciation rates approved by the Commission are multiplied by the test year investments to produce a calculated annual depreciation expense. The calculated depreciation expense is included in the revenue requirement that is to be recovered from ratepayers.

As pointed out by the National Association of Regulatory Utility Commissioners' ("NARUC") text *Public Utility Depreciation Practices*:

> It is essential to remember that depreciation is intended only for the purpose of recording the periodic allocation of cost in a manner properly related to the useful life of the plant. It is not intended, for example, to achieve a desired financial objective or to fund modernization programs.[6]

[6] Page 23, *Public Utility Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.

Q. WHAT IMPACT DO THE DEPRECIATION RATES SET IN THIS PROCEEDING HAVE ON FUTURE PROCEEDINGS?

A. The depreciation rates, or any other adjustment to the accumulated depreciation reserve, decided in this proceeding will impact the level of the accumulated depreciation reserve in a future rate case.

The depreciation expense amounts, based on the approved depreciation rates, are added to the accumulated depreciation reserve, while the accumulated depreciation reserve is decreased at the time of a retirement for the book cost of the plant retired and the cost of removal, less any salvage value.[7]

Adjustments to the accumulated depreciation reserve amount impact the allowed return on net rate base in a future rate case.

In a rate case, the calculated net rate base is multiplied by a rate of return (ROR) to calculate the shareholders' and other investors' "return on" their investment. The calculation of the allowed return on rate based included in customer rates expressed in a simplified way:[8]

allowed return = (investment – reserve) * ROR

[7] 18 CFR 201, Account 108.

[8] Other items such as cash working capital, materials and supplies, deferred income taxes, regulatory liabilities, regulatory assets, etc. are included in the net rate base calculation.

The accumulated depreciation reserve is the significant amount in the "reserve" part of the formula shown above.

B. Calculation of Depreciation Rates

Q. PLEASE PROVIDE A BRIEF DISCUSSION ABOUT THE REMAINING LIFE TECHNIQUES FOR CALCULATING DEPRECIATION RATES.

A. In the calculation of depreciation rates, the remaining life technique formula is:

$$\text{Depreciation Rate} = \frac{(100\% - \text{Book Reserve \%} - \text{Future Net Salvage \%})}{\text{Average Remaining Life}}$$

In the formula above, the book reserve percent is the actual accumulated depreciation reserve on the Company's books divided by the actual plant-in-service investment on the Company's books at the time of the Depreciation Study.

The Depreciation Study estimates the projected average service life of the assets, the retirement pattern of those assets, and the cost of removing or retiring those assets less any expected salvage from the sale, scrap, insurance, reimbursements, etc. of those assets. These estimates are referred to as depreciation parameters.

The projected average service life and retirement pattern (survivor curve) are the two parameters from the Depreciation Study that calculate the average remaining life.

The estimated future net salvage parameter from the Depreciation Study estimates the future cost of removing or retiring less any estimated future salvage.

Q. WHAT ARE SOME CONSIDERATIONS USED WHEN ESTIMATING THE DEPRECIATION PARAMETERS USED IN THE DEPRECIATION RATE FORMULA?

A. When estimating a depreciation parameter for an account, an initial step is to analyze that utility's actual historic life and net salvage experience data for that account. In addition to considering the lives and net salvage indicated by the utility's experience data, the expectations of the management, any changes to the current industry practices, and informed judgement are part of the estimation process.

Informed judgement as explained in NARUC's *Public Utility Depreciation Practices* states:

> *Informed judgment* is a term used to define the subjective portion of the depreciation study process. It is based on a combination of general experience, knowledge of the properties and a physical inspection, information gathered throughout the industry, and

> other factors which assist the analyst in making a knowledgeable estimate.
>
> The use of informed judgment can be a major factor in forecasting. A logical process of examining and prioritizing the usefulness of information must be employed, since there are many sources of data that must be considered and weighed by importance.[9]

IV. Mass Property Future Net Salvage

Q. PLEASE EXPLAIN WHAT IS MEANT BY NET SALVAGE.

A. NARUC's *Public Utility Depreciation Practices* defines net salvage as "the gross salvage for the property retired less its cost of removal."[10] Gross salvage is defined as "the amount recorded for the property retired due to the sale, reimbursement, or reuse of the property."[11] Cost of removal is defined as "the costs incurred in connection with the retirement from service and the disposition of depreciable plant. Cost of removal may be incurred for plant that is retired in place."[12]

NARUC also explains that careful consideration should be given to the net salvage estimate stating:

> Cost of retirement, however, must be given careful thought and attention, since for certain types of plant,

[9] Page 128, *Public Utility Depreciation Practices* published by the National Association of Regulatory Utility Commissioners (NARUC), 1996.
[10] Page 322, *Public Utility Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.
[11] Page 320, *Public Utility Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.
[12] Page 317, *Public Utility Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.

> it can be the most critical component of the depreciation rate.[13]

NARUC's *Public Utility Depreciation Practices* later points out that:

> Determining a reasonably accurate estimate of the average or future net salvage is not an easy task; estimates can be the subject of considerable discussion and controversy between regulators and utility personnel.[14]

Q. WHAT IMPACT DOES THE ESTIMATED FUTURE NET SALVAGE PERCENT HAVE ON DEPRECIATION RATES?

A. Positive net salvage results in a lower depreciation rate, all other things being equal. Negative net salvage results in a higher depreciation rate, all other things being equal.

As stated in NARUC's *Public Utility Depreciation Practices*:

> Positive net salvage occurs when gross salvage exceeds cost of retirement, and negative net salvage occurs when cost of retirement exceeds gross salvage.[15]

The estimated future net salvage is part of the annual depreciation accrual, which is credited to the depreciation reserve to cover the estimated future net salvage costs the company may incur in the future associated with plant asset retirements.

[13] Page 19, *Public Utility Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.
[14] Page 157, *Public Utility Depreciation Practices* published by the National Association of Regulatory Utility Commissioners (NARUC), 1996.
[15] Page 18, *Public Utility Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.

Q. DID THE 2020 DEPRECIATION STUDY PROVIDE HISTORICAL NET SALVAGE DATA?

A. Yes. The PSNC depreciation study included the historic data of the actual incurred and recorded net salvage and related retirements. Regarding historic net salvage, PSNC's depreciation study states:

> The estimates of net salvage by account were based in part on historical data compiled for the years 1987 through 2020. Cost of removal and gross salvage were expressed as percents of the original cost of plant retired, both on annual and three-year moving average bases. The most recent five-year average also was calculated for consideration. The net salvage estimates by account are expressed as a percent of the original cost of plant retired.[16]

Q. WHAT IS A CONCERN REGARDING THE HISTORIC NET SALVAGE RATIOS CALCULATED IN THE DEPRECIATION STUDY?

A. As pointed out in Wolf and Fitch's *Depreciation Systems*:

> Salvage ratios are a function of inflation.[17]

Additionally, Wolf and Fitch's *Depreciation Systems*, points out that a historic net salvage ratio that includes inflated dollars in the numerator and historic dollars in the denominator is a ratio using different units, stating:

[16] Spanos Direct Exhibit 2 at 40.
[17] Page 267, Wolf, Frank K. and W. Chester Fitch, *Depreciation Systems* Iowa State University Press, 1994.

> One inherent characteristic of the salvage ratio is that the numerator and denominator are measured in different units; the numerator is measured in dollars at the time of retirement, while the denominator is measured in dollars at the time of installation. Inflation is an economic fact of life and although both numerator and denominator are measured in dollars, the timing of the cash flows reflects different price levels.[18]

The calculation of the historic net salvage ratio includes the impact of historic inflation rates, since the net salvage amount in the numerator is in current dollars and the cost of the plant (which may have been installed decades before) in the denominator is in historic dollars. In other words, due to inflation the amounts in numerator and denominator of the net salvage ratio are at different price levels.

Q. IS THE FACT THAT HISTORIC INFLATION IS INCLUDED IN THE NET SALVAGE RATIO RECOGNIZED IN ANOTHER AUTHORITATIVE DEPRECIATION TEXT?

A. Yes. NARUC's *Public Utility Depreciation Practices*, regarding inflation states:

> The sensitivity of salvage and cost of retirement to the age of the property retired is also troublesome. Due to inflation and other factors, there is a tendency for costs of retirement, typically labor, to increase more rapidly than material prices.[19]

[18] Page 53, Wolf, Frank K. and W. Chester Fitch, *Depreciation Systems* Iowa State University Press, 1994.
[19] Page 19, *Public Utility Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.

Q. WHY SHOULD THE IMPACT INFLATION HAS ON THE HISTORIC NET SALVAGE RATIOS BE CONSIDERED WHEN ESTIMATING THE FUTURE NET SALVAGE AMOUNTS TO BE COLLECTED FROM TODAY'S RATEPAYERS?

A. The estimated future net salvage accruals included in the revenue requirement in this proceeding are to be collected from the ratepayers in today's more valuable current dollars. Therefore, I not only reviewed the historic net salvage data as presented in the depreciation study and the underlying data provided in response to discovery, I also evaluated the impact of collecting the more valuable current dollars from the ratepayers to pay for estimated future costs.

Q, PLEASE EXPLAIN WHAT YOU MEAN BY MORE VALUABLE CURRENT DOLLARS.

A. Due to inflation, today's dollar has more purchasing power than a future dollar.

Q. HAVE YOU REVIEWED THE RECOVERY OF ESTIMATED FUTURE NET SALVAGE COSTS INCLUDED IN PSNC'S PROPOSED DEPRECIATION ACCRUAL AND THE ACTUAL NET SALVAGE COSTS PSNC HAS INCURRED IN TODAY'S DOLLARS IN THE LAST FEW YEARS?

A. Yes. A depreciation recommendation requires judgement. Relevant information in addition to what has been presented in PSNC's

Depreciation Study can properly be considered. The interests of the Company should be considered, but the interests of the ratepayers should also be considered.

As a reasonableness check on the estimated future net salvage accrual amount to be included in the revenue requirement, which is collected from the ratepayer in today's dollars, I have compared the estimated future net salvage costs included in PSNC's proposed depreciation accrual to the actual net salvage costs incurred by PSNC on average over the recent five-year period. This comparison is shown in Exhibit RMM-3.

Q. COULD THE AMOUNT INCLUDED FOR FUTURE NET SALVAGE IN THE ANNUAL DEPRECIATION ACCRUAL SHOWN IN EXHIBIT RMM-3 CHANGE IN THE FUTURE?

A. Yes. The annual amount for net salvage is calculated on the investment as of December 31, 2020. In the future, as the plant-in-service investment in the account increases, the amount for estimate future net salvage would increase in proportion to the increase in investment.

Q. ARE YOUR PROPOSED ESTIMATED FUTURE NET SALVAGE PERCENTS BASED ONLY ON THE COMPARISON SHOWN IN EXHIBIT RMM-3?

A. No. This is evidenced by the fact that my proposed estimated future net salvage accrual amounts are not equal to the average annual historical amount as shown in Exhibit RMM-3.

As discussed above, estimating the depreciation parameters includes informed judgement. My analysis included the review of the historic net salvage data provided in the depreciation study and the relevant information provided in response to discovery. My proposed estimated future net salvage accrual amounts are in current dollars that consider PSNC's historic practices, the impact of inflation, and builds a reserve for reasonable estimated future net removal costs associated with future retirements, based on the type of investments in the account, and my previous experience.

Exhibit RMM-3 is a reasonableness check on the estimated future net salvage accrual amount to be included in the revenue requirement.

Q. WHY IS THE ESTIMATED FUTURE NET SALVAGE PARAMETER SHOWN AS A PERCENT?

A. The future net salvage parameter is an estimate of the future cost that may be incurred related to future plant retirements. Since the depreciation study produces a depreciation rate, the estimated future net salvage is included in the depreciation rate formula as a percent of the investment as of December 31, 2020. The depreciation rates resulting from the depreciation study are then applied to the investment amounts as of the date of the test year in the rate proceeding.

Q. BASED ON YOUR REVIEW DO YOU RECOMMEND A DIFFERENT ESTIMATED FUTURE NET SALVAGE PERCENT FOR ANY MASS PROPERTY ACCOUNTS?

A. Yes. For Account 476.00, Distribution Mains I recommend an estimated future net salvage percent of -20% compared to PSNC's proposed -40%.

Q. PLEASE EXPLAIN HOW YOUR RECOMMENDED ESTIMATED FUTURE NET SALVAGE OF -20% FOR ACCOUNT 476.00, DISTRIBUTION MAINS IS MORE REASONABLE THAN PSNC'S PROPOSAL.

A. As shown in Exhibit RMM-3, for Account 476.00, Distribution Mains, over the recent five-year period, PSNC actually incurred $494,127 on average per year.[20]

PSNC's proposed estimated future net salvage of -40% collects $6,096,807 in annual accrual from ratepayers, which is 12.3 times the average annual amount PSNC has actually incurred for net salvage.

In my judgement, PSNC collecting annually from ratepayers for net salvage over 12 times as much as the annual costs PSNC incurs for net salvage is excessive and should be adjusted.

I recommend an estimated future net salvage of -20% for Account 476.00, Distribution Mains. My recommendation results in an annual accrual of $2,876,073, which is 5.8 times the average annual amount PSNC has actually incurred for net salvage.[21]

[20] Spanos Direct Exhibit 2 at 194.

[21] I am not recommending or implying a change from the "accrual" basis to the "cash" basis for the recovery of future net salvage costs. In other words, I am not recommending or implying that the depreciation accrual no longer be credited to the Accumulated Provision for Depreciation or that the net salvage costs be "expensed."

My proposed net salvage accrual is a good balance between the depreciation expense charged to current customers and the building of the book reserve to cover any PSNC future net salvage costs associated with the retirement of an asset.

Q. WHAT SUPPORT DID PSNC PROVIDE THAT SUPPORTS ITS PROPOSED ESTIMATED FUTURE NET SALVAGE OF -40% FOR ACCOUNT 476.00, DISTRIBUTION MAINS BUT AN ESTIMATED FUTURE NET SALVAGE OF -15% FOR ACCOUNT 467.00, TRANSMISSION MAINS.

A. In response to discovery, the Company provided two differences between the retirement of Transmission Mains and Distribution Mains.

The first reason given by the Company is related to the average length of the main being retired. The Company's response states:

> Most transmission main retirement projects are fairly long lengths of pipe being retired and, therefore, only two holes are needed to properly retire the large asset value. For distribution mains, there are much smaller lengths of pipe being retired for each project and in many cases a project may only be a valve being retired.[22]

[22] PSNC Response to Public Staff Data Request No. 55-4, attached as Exhibit RMM-4.

The length of the pipe being retired does not change the cost incurred to retire that section of pipe, since both Transmission Mains and Distribution Mains are "typically retired in place."[23]

The second reason given by the Company is due to Distribution Mains more often being placed in streets, which can result in an increase in the restoration cost. The Company's response states in pertinent part:

> Additionally, more distribution mains are laid in the streets, which requires more costly site restoration.[24]

The PSNC average historic net salvage actually incurred, shown on Exhibit RMM-3 and used in the comparison, does include the "more costly site restoration" for Distribution Mains, since those cost differences would be reflected in the historic net salvage data.

In my judgement the "more costly site restoration" does not support collecting an annual accrual from ratepayers that is 12.3 times the average annual amount PSNC has actually incurred for Distribution Mains net salvage.

By comparison, as shown on Exhibit RMM-3, PSNC's proposed estimated future net salvage of -15% for Account 467.00,

[23] PSNC Response to Public Staff Data Request No. 23-14, attached as Exhibit RMM-5 and PSNC Response to Public Staff Data Request No. 23-15, attached as Exhibit RMM-6.
[24] PSNC Response to Public Staff Data Request No. 55-4, attached as Exhibit RMM-4.

Transmission Mains results in an annual accrual for estimated future net salvage that is 6.1 times the average annual amount PSNC has actually incurred for Transmission Mains net salvage.

My recommended estimated future net salvage of -20% for Account 476.00, Distribution Mains is 5.8 times the average annual amount PSNC has actually incurred for net salvage, which is similar to the 6.1 times for Account 467.00, Transmission Mains and more reasonable than PSNC's proposed 12.3 times for Account 476.00, Distribution Mains.

Q. DOES YOUR PROPOSED -20% ESTIMATED FUTURE NET SALVAGE PERCENT RESULT IN AN UNDER-RECOVERY OF THE ESTIMATED FUTURE COSTS?

A. No. As stated above, my recommendation results in an annual accrual that is 5.8 times the average annual amount PSNC has actually incurred for net salvage; therefore, my recommendation provides recovery of the estimated cost of removal expected to be incurred in the near future and builds the reserve for estimated future cost of removal associated with future retirements.

V. Conclusion

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A. For the reasons stated above, I recommend that the Public Staff's proposed depreciation rates shown on Exhibit RMM-2 be approved for PSNC in North Carolina.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Roxie McCullar, CPA, CDP
8625 Farmington Cemetery Road
Pleasant Plains, IL

Roxie McCullar is a regulatory consultant, licensed Certified Public Accountant in the state of Illinois, and a Certified Depreciation Professional through the Society of Depreciation Professionals. She is a member of the American Institute of Certified Public Accountants, the Illinois CPA Society, and the Society of Depreciation Professionals. Ms. McCullar has received her Master of Arts degree in Accounting from the University of Illinois-Springfield as well as her Bachelor of Science degree in Mathematics from Illinois State University. Ms. McCullar has 20 years of experience as a regulatory consultant for William Dunkel and Associates. In that time, she has filed testimony in over 50 state regulatory proceedings on depreciation issues and cost allocation for universal service and has assisted Mr. Dunkel in numerous other proceedings.

Current Position: Consultant at William Dunkel and Associates

Participation in the proceedings below included some or all of the following:

Developing analyses, preparing data requests, analyzing issues, writing draft testimony, preparing data responses, preparing draft questions for cross examination, drafting briefs, and developing various quantitative models.

Education

Master of Arts in Accounting from the University of Illinois-Springfield, Springfield, Illinois

12 hours of Business and Management classes at Benedictine University-Springfield College in Illinois, Springfield, Illinois

27 hours of Graduate Studies in Mathematics at Illinois State University, Normal, Illinois

Completed Depreciation Fundamentals training course offered by the Society of Depreciation Professionals

Relevant Coursework:

- Calculus
- Number Theory
- Linear Programming
- Finite Sampling
- Introduction to Micro Economics
- Principles of MIS
- Introduction to Managerial Accounting
- Intermediate Financial Accounting I
- Advanced Financial Accounting
- Accounting Information Systems
- Fraud Forensic Accounting
- Commercial Law
- Advanced Auditing
- Discrete Mathematics
- Mathematical Statistics
- Differential Equations
- Statistics for Business and Economics
- Introduction to Macro Economics
- Introduction to Financial Accounting
- Intermediate Managerial Accounting
- Intermediate Financial Accounting II
- Auditing Concepts/Responsibilities
- Federal Income Tax
- Accounting for Government & Non-Profit
- Advanced Utilities Regulation
- Advanced Corp & Partnership Taxation

Previous Experience of Roxie McCullar

Year	State	Commission	Docket	Company	Description	On Behalf of
2021	Florida	Florida Public Service Commission	20210015-EI	Florida Power & Light Company	Electric Depreciation Issues	Office of Public Counsel
2020	DC	District of Columbia Public Service Commission	FC1137	Washington Gas & Light	Natural Gas Depreciation Issues	District of Columbia Public Service Commission
2020	DC	District of Columbia Public Service Commission	FC1156	Potomac Electric Power Company	Electric Depreciation Issues	District of Columbia Public Service Commission
2020	North Carolina	North Carolina Utilities Commission	E-2, SUB 1219	Duke Energy Progress, LLC	Electric Depreciation Issues	Public Staff - North Carolina Utilities Commission
2020	Kansas	Kansas Corporation Commission	20-BLVT-218-KSF	Blue Valley Tele-Communications, Inc.	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff
2020	Utah	Public Service Commission of Utah	18-035-36	Rocket Mountain Power	Electric Depreciation Issues	Division of Public Utilities
2020	North Carolina	North Carolina Utilities Commission	E-7, SUB 1214	Duke Energy Carolinas, LLC	Electric Depreciation Issues	Public Staff - North Carolina Utilities Commission
2019	Kansas	Kansas Corporation Commission	20-UTAT-032-KSF	United Telephone Association	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff
2019	Kansas	Kansas Corporation Commission	19-ATMG-525-RTS	Amos Energy	Natural Gas Depreciation Issues	Kansas Corporation Commission Staff
2019	Kansas	Kansas Corporation Commission	19-GNBT-505-KSF	Golden Belt Telephone Association	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff
2019	Arizona	Arizona Corporation Commission	E-01933A-19-0028	Tucson Electric Power Company	Electric Depreciation Issues	The Utilities Division Staff Arizona Corporation Commission

Previous Experience of Roxie McCullar

Year	State	Commission	Docket	Company	Description	On Behalf of
2019	North Carolina	North Carolina Utilities Commission	E-22, SUB 562	Dominion Energy North Carolina	Electric Depreciation Issues	Public Staff - North Carolina Utilities Commission
2019	Utah	Public Service Commission of Utah	19-057-03	Dominion Energy Utah	Natural Gas Depreciation Issues	Division of Public Utilities
2019	Kansas	Kansas Corporation Commission	19-EPDE-223-RTS	Empire District Electric Company	Electric Depreciation Issues	Kansas Corporation Commission Staff
2019	Arizona	Arizona Corporation Commission	T-03214A-17-0305	Citizens Telecommunications Company	Arizona Universal Service Fund	The Utilities Division Staff Arizona Corporation Commission
2018	Kansas	Kansas Corporation Commission	18-KGSG-560-RTS	Kansas Gas Service	Natural Gas Depreciation Issues	Kansas Corporation Commission Staff
2018	Kansas	Kansas Corporation Commission	18-KCPE-480-RTS	Kansas City Power & Light Company	Electric Depreciation Issues	Kansas Corporation Commission Staff
2018	Rhode Island	Rhode Island and Providence Plantations Public Utilities Commission	4800	SUEZ Water	Water Depreciation Issues	Division of Public Utilities and Carriers
2018	Rhode Island	Rhode Island and Providence Plantations Public Utilities Commission	4770	Narragansett Electric Company	Electric & Natural Gas Depreciation Issues	Division of Public Utilities and Carriers
2018	North Carolina	North Carolina Utilities Commission	E-7, SUB 1146	Duke Energy Carolinas, LLC	Electric Depreciation Issues	Public Staff - North Carolina Utilities Commission
2017	DC	District of Columbia Public Service Commission	FC1150	Potomac Electric Power Company	Electric Depreciation Issues	District of Columbia Public Service Commission
2017	Kansas	Kansas Corporation Commission	17-RNBT-555-KSF	Rainbow Telecommunications Association, Inc.	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff

Previous Experience of Roxie McCullar

Year	State	Commission	Docket	Company	Description	On Behalf of
2017	North Carolina	North Carolina Utilities Commission	E-2, SUB 1142	Duke Energy Progress, LLC	Electric Depreciation Issues	Public Staff - North Carolina Utilities Commission
2017	Washington	Washington Utilities & Transportation Commission	UE-170033 & UG-170034	Puget Sound Energy	Electric & Natural Gas Depreciation Issues	Washington State Office of the Attorney General, Public Council Unit
2017	Florida	Florida Public Service Commission	160186-EI & 160170-EI	Gulf Power Company	Electric Depreciation Issues	The Citizens of the State of Florida
2016	Kansas	Kansas Corporation Commission	16-KGSG-491-RTS	Kansas Gas Service	Natural Gas Depreciation Issues	Kansas Corporation Commission Staff
2016	DC	District of Columbia Public Service Commission	FC1139	Potomac Electric Power Company	Depreciation Issues	District of Columbia Public Service Commission
2016	Arizona	Arizona Corporation Commission	E-01933A-15-0239 & E-01933A-15-0322	Tucson Electric Power Company	Electric Depreciation Issues	The Utilities Division Staff Arizona Corporation Commission
2016	Georgia	Georgia Public Service Commission	40161	Georgia Power Company	Addressed Depreciation Issues	Georgia Public Service Commission Public Interest Advocacy Staff
2016	DC	District of Columbia Public Service Commission	FC1137	Washington Gas & Light	Depreciation Issues	District of Columbia Public Service Commission
2015	Kansas	Kansas Corporation Commission	16-ATMG-079-RTS	Amos Energy	Natural Gas Depreciation Issues	Kansas Corporation Commission Staff
2015	Kansas	Kansas Corporation Commission	15-TWVT-213-AUD	Twin Valley Telephone, Inc.	Cost Study Issues, Allocation of FTTH Equipment, & Support Fund Adjustments	Kansas Corporation Commission Staff
2015	Kansas	Kansas Corporation Commission	15-KCPE-116-RTS	Kansas City Power & Light Company	Electric Depreciation Issues	Kansas Corporation Commission Staff

Previous Experience of Roxie McCullar

Year	State	Commission	Docket	Company	Description	On Behalf of
2015	Kansas	Kansas Corporation Commission	15-MRGT-097-AUD	Moundridge Telephone Company, Inc.	Cost Study Issues & Support Fund Adjustments	Kansas Corporation Commission Staff
2014	Kansas	Kansas Corporation Commission	14-S&TT-525-KSF	S&T Telephone Cooperative Association, Inc.	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff
2014	Kansas	Kansas Corporation Commission	14-WTCT-142-KSF	Wamego Telecommunications Company, Inc.	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff
2013	Kansas	Kansas Corporation Commission	13-PLTT-678-KSF	Peoples Telecommunications, LLC	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff
2013	New Jersey	State of New Jersey Board of Public Utilities	BPU ER12121071	Atlantic City Electric Company	Electric Depreciation Issues	New Jersey Rate Counsel
2013	Kansas	Kansas Corporation Commission	13-JBNT-437-KSF	J.B.N. Telephone Company, Inc.	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff
2013	Kansas	Kansas Corporation Commission	13-ZENT-065-AUD	Zenda Telephone Company, Inc.	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff
2013	DC	District of Columbia Public Service Commission	FC1103	Potomac Electric Power Company	Depreciation Issues	District of Columbia Public Service Commission
2012	Kansas	Kansas Corporation Commission	12-LHPT-875-AUD	LaHarpe Telephone Company, Inc.	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff
2012	Kansas	Kansas Corporation Commission	12-GRHT-633-KSF	Gorham Telephone Company	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff
2012	Kansas	Kansas Corporation Commission	12-S&TT-234-KSF	S&T Telephone Cooperative Association, Inc.	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff

Previous Experience of Roxie McCullar

Year	State	Commission	Docket	Company	Description	On Behalf of
2011	DC	District of Columbia Public Service Commission	FC1093	Washington Gas & Light	Depreciation Issues	District of Columbia Public Service Commission
2011	Kansas	Kansas Corporation Commission	11-CNHT-659-KSF	Cunningham Telephone Company, Inc.	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff
2011	Kansas	Kansas Corporation Commission	11-PNRT-315-KSF	Pioneer Telephone Association	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff
2010	Kansas	Kansas Corporation Commission	10-HVDT-288-KSF	Haviland Telephone Company, Inc.	Cost Study Issues & Support Fund Adjustments	Kansas Corporation Commission Staff
2009	Kansas	Kansas Corporation Commission	09-BLVT-913-KSF	Blue Valley Tele-Communications, Inc.	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff
2009	DC	District of Columbia Public Service Commission	FC1076	Potomac Electric Power Company	Depreciation Issues	District of Columbia Public Service Commission
2008	Kansas	Kansas Corporation Commission	09-MTLT-091-KSF	Mutual Telephone Company	Cost Study Issues & Support Fund Adjustments	Kansas Corporation Commission Staff
2007	Kansas	Kansas Corporation Commission	08-MRGT-221-KSF	Moundridge Telephone Company	Cost Study Issues & Support Fund Adjustments	Kansas Corporation Commission Staff
2007	Kansas	Kansas Corporation Commission	07-PLTT-1289-AUD	Peoples Telecommunications, LLC	Cost Study Issues & Support Fund Adjustments	Kansas Corporation Commission Staff
2007	Kansas	Kansas Corporation Commission	07-MDTT-195-AUD	Madison Telephone, LLC	Cost Study Issues & Support Fund Adjustments	Kansas Corporation Commission Staff
2007	Kansas	Kansas Corporation Commission	06-RNBT-1322-AUD	Rainbow Telecommunications Assn., Inc.	Cost Study Issues & Support Fund Adjustments	Kansas Corporation Commission Staff

Previous Experience of Roxie McCullar

Year	State	Commission	Docket	Company	Description	On Behalf of
2006	Kansas	Kansas Corporation Commission	06-WCTC-1020-AUD	Wamego Telecommunications Company, Inc.	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff
2006	Kansas	Kansas Corporation Commission	06-H&BT-1007-AUD	H&B Communications, Inc.	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff
2006	Kansas	Kansas Corporation Commission	06-ELKT-365-AUD	Elkhart Telephone Company, Inc.	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff
2005	Kansas	Kansas Corporation Commission	05-SCNT-1048-AUD	South Central Telephone Association, Inc.	Cost Study Issues & Support Fund Adjustments	Kansas Corporation Commission Staff
2005	Utah	Public Service Commission of Utah	05-2302-01	Carbon/Emery Telecom, Inc.	Cost Study Issues & Depreciation Issues	Utah Committee of Consumer Services
2005	Kansas	Kansas Corporation Commission	05-TTHT-895-AUD	Totah Communications, Inc.	Cost Study Issues & Support Fund Adjustments	Kansas Corporation Commission Staff
2005	Maine	Public Utilities Commission of the State of Maine	2005-155	Verizon	Depreciation Issues	Office of Public Advocate
2005	Kansas	Kansas Corporation Commission	05-TRCT-607-KSF	Tri-County Telephone Association	Cost Study Issues & Support Fund Adjustments	Kansas Corporation Commission Staff
2005	Kansas	Kansas Corporation Commission	05-CNHT-020-AUD	Cunningham Telephone Company, Inc.	Cost Study Issues & Support Fund Adjustments	Kansas Corporation Commission Staff
2005	Kansas	Kansas Corporation Commission	05-KOKT-060-AUD	KanOkla Telephone Association, Inc.	Cost Study Issues & Support Fund Adjustments	Kansas Corporation Commission Staff
2004	Kansas	Kansas Corporation Commission	04-UTAT-690-AUD	United Telephone Association, Inc.	Cost Study Issues & Support Fund Adjustments	Kansas Corporation Commission Staff

Previous Experience of Roxie McCullar

Year	State	Commission	Docket	Company	Description	On Behalf of
2004	Kansas	Kansas Corporation Commission	04-CGTT-679-RTS	Council Grove Telephone Company	Cost Study Issues & Support Fund Adjustments	Kansas Corporation Commission Staff
2004	Kansas	Kansas Corporation Commission	04-GNBT-130-AUD	Golden Belt Telephone Association	Cost Study Issues & Support Fund Adjustments	Kansas Corporation Commission Staff
2004	Kansas	Kansas Corporation Commission	03-TWVT-1031-AUD	Twin Valley Telephone, Inc.	Cost Study Issues	Kansas Corporation Commission Staff
2003	Kansas	Kansas Corporation Commission	03-HVDT-664-RTS	Haviland Telephone Company	Cost Study Issues & Support Fund Adjustments	Kansas Corporation Commission Staff
2003	Kansas	Kansas Corporation Commission	03-WHST-503-AUD	Wheat State Telephone Company, Inc.	Cost Study Issues & Support Fund Adjustments	Kansas Corporation Commission Staff
2003	Kansas	Kansas Corporation Commission	03-S&AT-160-AUD	S&A Telephone Company	Cost Study Issues	Kansas Corporation Commission Staff
2002	Kansas	Kansas Corporation Commission	02-JBNT-846-AUD	JBN Telephone Company	Cost Study Issues	Kansas Corporation Commission Staff
2002	Kansas	Kansas Corporation Commission	02-S&TT-390-AUD	S&T Telephone Cooperative Association, Inc.	Cost Study Issues	Kansas Corporation Commission Staff
2002	Kansas	Kansas Corporation Commission	02-BLVT-377-AUD	Blue Valley Telephone Company, Inc.	Cost Study Issues	Kansas Corporation Commission Staff
2001	Kansas	Kansas Corporation Commission	01-PNRT-929-AUD	Pioneer Telephone Association, Inc.	Cost Study Issues	Kansas Corporation Commission Staff
2001	Kansas	Kansas Corporation Commission	01-BSST-878-AUD	Bluestem Telephone Company	Cost Study Issues	Kansas Corporation Commission Staff

Previous Experience of Roxie McCullar

Year	State	Commission	Docket	Company	Description	On Behalf of
2001	Kansas	Kansas Corporation Commission	01-SFLT-879-AUD	Sunflower Telephone Company, Inc.	Cost Study Issues	Kansas Corporation Commission Staff
2001	Kansas	Kansas Corporation Commission	01-CRKT-713-AUD	Craw-Kan Telephone Cooperative, Inc.	Cost Study Issues	Kansas Corporation Commission Staff
2001	Kansas	Kansas Corporation Commission	01-RNBT-608-KSF	Rainbow Telecommunications Association	Cost Study Issues, Support Fund Adjustments	Kansas Corporation Commission Staff
2001	Kansas	Kansas Corporation Commission	01-SNKT-544-AUD	Southern Kansas Telephone Company, Inc.	Cost Study Issues	Kansas Corporation Commission Staff
2001	Kansas	Kansas Corporation Commission	01-RRLT-518-KSF	Rural Telephone Service Company, Inc.	Cost Study Issues	Kansas Corporation Commission Staff
2000	Illinois	Illinois Commerce Commission	98-0252	Ameritech	Cost Study Issues	Government and Consumer Intervenors

Public Service Company of North Carolina
Comparison of Proposals
Using Plant Balances as of December 31, 2020

		Current Approved		PSNC Proposed			Public Staff Proposal			
Function	12/31/20 Plant in Service	Accrual Rate	Accrual Amount	Accrual Rate	Accrual Amount	Difference from Current	Accrual Rate	Accrual Amount	Difference from Current	Difference from Company Proposed
A	B	C	D	E	F	G=F-D	H	I	J=I-D	K=J-F
Other Storage P	28,441,559	1.90%	539,516	3.27%	931,003	391,487	3.27%	931,003	391,487	0
Transmission	830,623,953	2.24%	18,591,750	2.13%	17,682,820	(908,930)	2.13%	17,682,820	(908,930)	0
Distribution	1,813,095,816	2.66%	48,245,290	2.84%	51,416,319	3,171,029	2.61%	47,374,413	(870,877)	(4,041,906)
General	86,374,671	12.73%	10,998,459	5.96%	5,147,568	(5,850,891)	5.96%	5,147,568	(5,850,891)	0
General Plant A	0		0		(603,278)	(603,278)		(603,278)	(603,278)	0
Total	**2,758,535,999**	**2.84%**	**78,375,016**	**2.70%**	**74,574,432**	**(3,800,584)**	**2.56%**	**70,532,526**	**(7,842,490)**	**(4,041,906)**

Public Service Company of North Carolina
Table 1: Summary of Accrual Rates and Annual Accrual Amounts
Using Plant Balances as of December 31, 2020

			Current Approved		PSNC Proposed			Public Staff Proposal			
Account	Description	12/31/20 Plant in Service	Accrual Rate	Accrual Amount	Accrual Rate	Accrual Amount	Difference from Current	Accrual Rate	Accrual Amount	Difference from Current	Difference from Company Proposed
A	B	C	D	E	F	G	H=G-E	I	J	K=J-E	L=J-G
Other Storage Plant											
461.00	Structures and Improvements	7,635,243	2.61%	199,280	4.80%	366,168	166,888	4.80%	366,168	166,888	0
462.00	Gas Holders	6,783,599	1.14%	77,333	1.00%	68,013	(9,320)	1.00%	68,013	(9,320)	0
463.00	Purification Equipment	3,154,850	3.89%	122,724	3.84%	121,083	(1,641)	3.84%	121,083	(1,641)	0
463.10	Liquefaction Equipment	2,401,000	2.73%	65,547	2.75%	66,054	507	2.75%	66,054	507	0
463.20	Vaporizing Equipment	4,430,948	0.88%	38,992	2.06%	91,483	52,491	2.06%	91,483	52,491	0
463.30	Compressor Equipment	3,480,276	0.82%	28,538	6.03%	209,827	181,289	6.03%	209,827	181,289	0
463.40	Measuring and Regulating Equipment	107,999	0.69%	745	0.56%	603	(142)	0.56%	603	(142)	0
463.50	Other Equipment	447,644	1.42%	6,357	1.74%	7,772	1,415	1.74%	7,772	1,415	0
Total Other Storage Plant		**28,441,559**	**1.90%**	**539,516**	**3.27%**	**931,003**	**391,487**	**3.27%**	**931,003**	**391,487**	**0**
Transmission Plant											
465.20	Land Rights	35,805,168	1.38%	494,111	1.44%	516,063	21,952	1.44%	516,063	21,952	0
466.30	Struct. & Improv. - Compressor Station	6,628,219	2.91%	192,881	3.29%	217,932	25,051	3.29%	217,932	25,051	0
466.40	Struct. & Improv. - Take-Off Station	1,679,792	2.82%	47,370	3.24%	54,413	7,043	3.24%	54,413	7,043	0
466.50	Struct. & Improv. - Measuring & Regulating Station	311,410	4.96%	15,446	1.24%	3,854	(11,592)	1.24%	3,854	(11,592)	0
466.60	Struct. & Improv. - Regulating Station	129,346	3.77%	4,876	3.89%	5,027	151	3.89%	5,027	151	0
467.00	Mains	546,381,944	1.54%	8,414,282	1.69%	9,212,877	798,595	1.69%	9,212,877	798,595	0
468.00	Compressor Station Equipment	179,756,724	3.97%	7,136,342	3.01%	5,414,919	(1,721,423)	3.01%	5,414,919	(1,721,423)	0
469.40	Take-Off Station Equipment	25,175,365	3.95%	994,427	4.32%	1,088,497	94,070	4.32%	1,088,497	94,070	0
469.50	Measuring and Regulating Equipment	17,134,634	3.33%	570,583	2.95%	505,497	(65,086)	2.95%	505,497	(65,086)	0
469.60	Regulating Station	7,584,301	3.21%	243,456	3.51%	265,854	22,398	3.51%	265,854	22,398	0
469.70	Main Line Industrial Equipment	66,591	4.78%	3,183	4.68%	3,117	(66)	4.68%	3,117	(66)	0
469.80	Farm Tap Equipment	8,681,565	4.21%	365,494	3.74%	324,918	(40,576)	3.74%	324,918	(40,576)	0
470.00	Communication Equipment	1,288,895	8.48%	109,298	5.42%	69,852	(39,446)	5.42%	69,852	(39,446)	0
Total Transmission Plant		**830,623,953**	**2.24%**	**18,591,750**	**2.13%**	**17,682,820**	**(908,930)**	**2.13%**	**17,682,820**	**(908,930)**	**0**
Distribution Plant											
474.20	Land Rights	8,033,478	1.50%	120,502	1.43%	115,077	(5,425)	1.43%	115,077	(5,425)	0
475.00	*Structures and Improvements - Major*										
	Raleigh Service Center	6,498,893	4.78%	310,647	3.63%	235,956	(74,691)	3.63%	235,956	(74,691)	0
	Sanford Commercial Center	632,534	5.22%	33,018	4.38%	27,723	(5,295)	4.38%	27,723	(5,295)	0

Public Service Company of North Carolina
Table 1: Summary of Accrual Rates and Annual Accrual Amounts
Using Plant Balances as of December 31, 2020

			Current Approved		PSNC Proposed			Public Staff Proposal			
Account	Description	12/31/20 Plant in Service	Accrual Rate	Accrual Amount	Accrual Rate	Accrual Amount	Difference from Current	Accrual Rate	Accrual Amount	Difference from Current	Difference from Company Proposed
A	B	C	D	E	F	G	H=G-E	I	J	K=J-E	L=J-G
	Cary/Apex Operations Center	2,949,061	2.38%	70,188	2.45%	72,239	2,051	2.45%	72,239	2,051	0
	North Durham Operations Center	2,426,358	2.37%	57,505	2.40%	58,212	707	2.40%	58,212	707	0
	South Durham Operations Center	3,397,738	2.39%	81,206	2.45%	83,094	1,888	2.45%	83,094	1,888	0
	Chapel Hill Operations Center	2,820,255	2.37%	66,840	2.36%	66,594	(246)	2.36%	66,594	(246)	0
	Henderson	754,097	5.21%	39,288	4.82%	36,340	(2,948)	4.82%	36,340	(2,948)	0
	Concord	1,081,215	2.79%	30,166	2.81%	30,355	189	2.81%	30,355	189	0
	Troutman Operation Service	2,093,096	2.33%	48,769	2.43%	50,780	2,011	2.43%	50,780	2,011	0
	Gastonia	6,423,115	2.79%	179,205	2.83%	181,455	2,250	2.83%	181,455	2,250	0
	Forest City	305,557	3.03%	9,258	3.33%	10,178	920	3.33%	10,178	920	0
	Asheville	2,764,339	2.33%	64,409	2.40%	66,481	2,072	2.40%	66,481	2,072	0
	Hendersonville	1,068,429	3.46%	36,968	3.44%	36,762	(206)	3.44%	36,762	(206)	0
	Marietta Street Warehouse	144,665	0.00%	0	0.00%	0	0	0.00%	0	0	0
	Energy Center	310,374	3.17%	9,839	2.64%	8,202	(1,637)	2.64%	8,202	(1,637)	0
	Corporate Warehouse Gaston Road	6,939,957	2.30%	159,619	2.30%	159,313	(306)	2.30%	159,313	(306)	0
	Total Structures and Improvements - Major	*40,609,684*	*2.95%*	*1,196,925*	*2.77%*	*1,123,684*	*(73,241)*	*2.77%*	*1,123,684*	*(73,241)*	*0*
475.10	Structures and Improvements - Other	2,563,511	3.15%	80,751	2.79%	71,603	(9,148)	2.79%	71,603	(9,148)	0
	Total Structures and Improvements	*43,173,195*	*2.96%*	*1,277,676*	*2.77%*	*1,195,287*	*(82,389)*	*2.77%*	*1,195,287*	*(82,389)*	*0*
476.10	Mains - Plastic	591,163,523	2.01%	11,882,387	2.04%	12,039,771	157,384	1.65%	9,754,198	(2,128,189)	(2,285,573)
476.30	Mains - Steel	493,568,488	1.89%	9,328,444	1.88%	9,258,574	(69,870)	1.52%	7,502,241	(1,826,203)	(1,756,333)
478.10	District Regulating Equipment	21,528,560	3.88%	835,308	3.41%	733,500	(101,808)	3.41%	733,500	(101,808)	0
480.10	Services - Plastic	440,682,980	4.00%	17,627,319	4.74%	20,907,358	3,280,039	4.74%	20,907,358	3,280,039	0
480.20	Services - Steel	25,165,135	3.66%	921,044	6.91%	1,739,802	818,758	6.91%	1,739,802	818,758	0
481.00	Meters	82,067,607	2.10%	1,723,420	2.16%	1,771,356	47,936	2.16%	1,771,356	47,936	0
481.10	Meters - ERT	38,590,351	6.08%	2,346,293	4.38%	1,688,857	(657,436)	4.38%	1,688,857	(657,436)	0
482.00	Meter Installations	41,990,129	1.72%	722,230	1.81%	759,273	37,043	1.81%	759,273	37,043	0
485.00	Industrial Measuring & Regulating Station Equip.	19,942,798	3.73%	743,866	3.65%	726,995	(16,871)	3.65%	726,995	(16,871)	0
487.00	Other Equipment	7,189,573	9.97%	716,800	6.68%	480,469	(236,331)	6.68%	480,469	(236,331)	0
Total Distribution Plant		**1,813,095,816**	**2.66%**	**48,245,290**	**2.84%**	**51,416,319**	**3,171,029**	**2.61%**	**47,374,413**	**(870,877)**	**(4,041,906)**

General Plant

Public Service Company of North Carolina
Table 1: Summary of Accrual Rates and Annual Accrual Amounts
Using Plant Balances as of December 31, 2020

			Current Approved		PSNC Proposed			Public Staff Proposal			
Account	Description	12/31/20 Plant in Service	Accrual Rate	Accrual Amount	Accrual Rate	Accrual Amount	Difference from Current	Accrual Rate	Accrual Amount	Difference from Current	Difference from Company Proposed
A	B	C	D	E	F	G	H=G-E	I	J	K=J-E	L=J-G
490.00	Structures and Improvements	7,643,309	2.39%	182,675	2.43%	185,466	2,791	2.43%	185,466	2,791	0
491.10	*Office Furniture and Equipment*										
	Fully Accrued	542,434	6.09%	33,034	0.00%	0	(33,034)	0.00%	0	(33,034)	0
	Amortized	5,032,701	6.09%	306,491	5.00%	251,747	(54,744)	5.00%	251,747	(54,744)	0
	Total Office Furniture and Equipment	*5,575,135*	*6.09%*	*339,526*	*4.52%*	*251,747*	*(87,779)*	*4.52%*	*251,747*	*(87,779)*	*0*
491.50	Computer Equipment	1,985,522	58.46%	1,160,736	20.00%	397,008	(763,728)	20.00%	397,008	(763,728)	0
491.60	Remote Meter Reading Equipment	5,586,788	22.52%	1,258,145	10.00%	558,954	(699,191)	10.00%	558,954	(699,191)	0
492.10	Automobiles	32,029	0.00%	0	0.00%	0	0	0.00%	0	0	0
492.40	Trucks	36,128,328	16.54%	5,975,625	5.93%	2,141,849	(3,833,776)	5.93%	2,141,849	(3,833,776)	0
492.70	Trailers	1,889,368	5.02%	94,846	2.16%	40,816	(54,030)	2.16%	40,816	(54,030)	0
493.00	*Stores Equipment*										
	Fully Accrued	17,836	3.96%	706	0.00%	0	(706)	0.00%	0	(706)	0
	Amortized	135,387	3.96%	5,361	5.00%	6,763	1,402	5.00%	6,763	1,402	0
	Total Stores Equipment	*153,223*	*3.96%*	*6,068*	*4.41%*	*6,763*	*695*	*4.41%*	*6,763*	*695*	*0*
494.50	CNG Refueling Stations - Prior to November 1, 2006	123,478	0.00%	0	0.00%	0	0	0.00%	0	0	0
494.60	Tools, Shop, and Garage Equipment - Non-Specific	2,785,759	8.54%	237,904	5.00%	139,218	(98,686)	5.00%	139,218	(98,686)	0
494.70	CNG Refueling Stations - Post November 1, 2006	6,982,442	9.35%	652,858	5.89%	411,218	(241,640)	5.89%	411,218	(241,640)	0
496.00	Power Operated Equipment	9,264,376	6.42%	594,773	4.13%	383,014	(211,759)	4.13%	383,014	(211,759)	0
496.10	Power Operated Equipment - Non-Specific	845,758	9.94%	84,068	16.10%	136,160	52,092	16.10%	136,160	52,092	0
497.00	Communication Equipment	7,133,111	5.55%	395,888	6.67%	475,655	79,767	6.67%	475,655	79,767	0
497.10	Radio Equipment	148,057	5.15%	7,625	10.00%	14,803	7,178	10.00%	14,803	7,178	0
498.00	Miscellaneous Equipment	71,482	8.24%	5,890	5.00%	3,572	(2,318)	5.00%	3,572	(2,318)	0
498.10	Energy Audit Equipment	26,505	6.91%	1,831	5.00%	1,325	(506)	5.00%	1,325	(506)	0
Total General Plant		**86,374,671**	**12.73%**	**10,998,459**	**5.96%**	**5,147,568**	**(5,850,891)**	**5.96%**	**5,147,568**	**(5,850,891)**	**0**
TOTAL DEPRECIABLE PLANT		**2,758,535,999**	**2.84%**	**78,375,016**	**2.73%**	**75,177,710**	**(3,197,306)**	**2.58%**	**71,135,804**	**(7,239,212)**	**(4,041,906)**

Unrecovered Reserve for Amortization

Public Service Company of North Carolina
Table 1: Summary of Accrual Rates and Annual Accrual Amounts
Using Plant Balances as of December 31, 2020

			Current Approved		PSNC Proposed			Public Staff Proposal			
Account	Description	12/31/20 Plant in Service	Accrual Rate	Accrual Amount	Accrual Rate	Accrual Amount	Difference from Current	Accrual Rate	Accrual Amount	Difference from Current	Difference from Company Proposed
A	B	C	D	E	F	G	H=G-E	I	J	K=J-E	L=J-G
491.10	Office Furniture and Equipment			0		8,419	8,419		8,419	8,419	0
491.50	Computer Equipment			0		(397,373)	(397,373)		(397,373)	(397,373)	0
491.60	Remote Meter Reading Equipment			0		(305,257)	(305,257)		(305,257)	(305,257)	0
493.00	Stores Equipment			0		(405)	(405)		(405)	(405)	0
494.60	Tools, Shop, & Garage Equipment - Non-Specific			0		121,145	121,145		121,145	121,145	0
497.00	Communication Equipment			0		(38,346)	(38,346)		(38,346)	(38,346)	0
497.10	Radio Equipment			0		4,546	4,546		4,546	4,546	0
498.00	Miscellaneous Equipment			0		2,723	2,723		2,723	2,723	0
498.10	Energy Audit Equipment			0		1,269	1,269		1,269	1,269	0
Total Unrecovered Reserve for Amortization		**0**		**0**		**(603,278)**	**(603,278)**		**(603,278)**	**(603,278)**	**0**
TOTAL PLANT		**2,758,535,999**		**78,375,016**		**74,574,432**	**(3,800,584)**		**70,532,526**	**(7,842,490)**	**(4,041,906)**

Public Service Company of North Carolina
Table 2: Calculation of Remaining Life Annual Accrual Rate
Using Plant Balances as of December 31, 2020

Account	Description	12/31/20 Plant in Service	12/31/20 Book Reserve Amount	Book Reserve Percent	Future Net Salvage Percent	Remaining Life	Total Annual Calculated Accrual Rate	Total Annual Accrual Amount
A	B	C	D	E	F	G	H=(1-E-F)/G	I=C*H
Other Storage Plant								
461.00	Structures and Improvements	7,635,243	2,645,042	34.64%	-5%	14.7	4.79%	365,440
462.00	Gas Holders	6,783,599	6,483,529	95.58%	-10%	14.4	1.00%	67,947
463.00	Purification Equipment	3,154,850	1,518,094	48.12%	-5%	14.8	3.84%	121,250
463.10	Liquefaction Equipment	2,401,000	1,560,886	65.01%	-5%	14.5	2.76%	66,218
463.20	Vaporizing Equipment	4,430,948	3,319,242	74.91%	-5%	14.6	2.06%	91,319
463.30	Compressor Equipment	3,480,276	556,109	15.98%	-5%	14.8	6.01%	209,337
463.40	Measuring and Regulating Equipment	107,999	105,379	97.57%	-5%	13.3	0.56%	603
463.50	Other Equipment	447,644	357,299	79.82%	-5%	14.5	1.74%	7,774
Total Other Storage Plant		**28,441,559**	**16,545,579**	**58.17%**			**3.27%**	**929,887**
Transmission Plant								
465.20	Land Rights	35,805,168	3,583,833	10.01%	0%	62.4	1.44%	516,368
466.30	Struct. & Improv. - Compressor Station	6,628,219	984,504	14.85%	-20%	32.0	3.29%	217,792
466.40	Struct. & Improv. - Take-Off Station	1,679,792	284,451	16.93%	-20%	31.8	3.24%	54,443
466.50	Struct. & Improv. - Measuring & Regulating Station	311,410	233,022	74.83%	-20%	36.5	1.24%	3,854
466.60	Struct. & Improv. - Regulating Station	129,346	29,969	23.17%	-20%	24.9	3.89%	5,030
467.00	Mains	546,381,944	59,737,297	10.93%	-15%	61.7	1.69%	9,215,591
468.00	Compressor Station Equipment	179,756,724	20,547,338	11.43%	-5%	31.1	3.01%	5,408,271
469.40	Take-Off Station Equipment	25,175,365	5,000,940	19.86%	-20%	23.2	4.32%	1,086,616
469.50	Measuring and Regulating Equipment	17,134,634	2,896,477	16.90%	-20%	34.9	2.95%	506,163
469.60	Regulating Station	7,584,301	1,840,657	24.27%	-20%	27.3	3.51%	265,953
469.70	Main Line Industrial Equipment	66,591	28,140	42.26%	-20%	16.6	4.68%	3,119
469.80	Farm Tap Equipment	8,681,565	2,537,594	29.23%	-20%	24.3	3.74%	324,292
470.00	Communication Equipment	1,288,895	721,458	55.97%	-5%	9.0	5.45%	70,209
Total Transmission Plant		**830,623,953**	**98,425,680**	**11.85%**			**2.13%**	**17,677,700**
Distribution Plant								
474.20	Land Rights	8,033,478	284,032	3.54%	0%	67.3	1.43%	115,148
475.00	*Structures and Improvements - Major*							
	Raleigh Service Center	6,498,893	2,181,036	33.56%	-5%	19.7	3.63%	235,675
	Sanford Commercial Center	632,534	486,273	76.88%	-5%	6.4	4.39%	27,795
	Cary/Apex Operations Center	2,949,061	1,044,655	35.42%	-5%	28.4	2.45%	72,249
	North Durham Operations Center	2,426,358	895,977	36.93%	-5%	28.4	2.40%	58,158
	South Durham Operations Center	3,397,738	1,207,632	35.54%	-5%	28.4	2.45%	83,098
	Chapel Hill Operations Center	2,820,255	1,073,388	38.06%	-5%	28.3	2.37%	66,710
	Henderson	754,097	417,945	55.42%	-5%	10.3	4.81%	36,297
	Concord	1,081,215	321,712	29.75%	-5%	26.8	2.81%	30,357
	Troutman Operation Service	2,093,096	756,161	36.13%	-5%	28.4	2.43%	50,760
	Gastonia	6,423,115	2,206,763	34.36%	-5%	25.0	2.83%	181,500
	Forest City	305,557	92,850	30.39%	-5%	22.4	3.33%	10,178
	Asheville	2,764,339	1,016,080	36.76%	-5%	28.4	2.40%	66,425
	Hendersonville	1,068,429	570,542	53.40%	-5%	15.0	3.44%	36,754
	Marietta Street Warehouse	144,665	144,665	100.00%	0%	0.0	0.00%	0
	Energy Center	310,374	289,341	93.22%	-5%	4.5	2.62%	8,123
	Corporate Warehouse Gaston Road	6,939,957	982,782	14.16%	-5%	39.6	2.29%	159,196
	Total Structures and Improvements - Major	*40,609,684*	*13,687,802*	*33.71%*	*-5%*	*25.8*	*2.77%*	*1,123,275*
475.10	Structures and Improvements - Other	2,563,511	393,142	15.34%	-5%	32.1	2.79%	71,606
	Total Structures and Improvements	*43,173,195*	*14,080,944*	*32.62%*			*2.77%*	*1,194,881*
476.10	Mains - Plastic	591,163,523	201,851,655	34.14%	-20%	52.0	1.65%	9,760,473
476.30	Mains - Steel	493,568,488	174,056,043	35.26%	-20%	55.8	1.52%	7,495,092
478.10	District Regulating Equipment	21,528,560	11,783,032	54.73%	-25%	20.6	3.41%	734,353
480.10	Services - Plastic	440,682,980	208,609,123	47.34%	-125%	37.4	4.75%	20,933,893
480.20	Services - Steel	25,165,135	19,213,442	76.35%	-125%	21.5	6.91%	1,739,912
481.00	Meters	82,067,607	27,693,582	33.74%	5%	28.4	2.16%	1,770,093
481.10	Meters - ERT	38,590,351	28,686,754	74.34%	1%	5.6	4.40%	1,699,588
482.00	Meter Installations	41,990,129	16,736,011	39.86%	0%	33.3	1.81%	758,382
485.00	Industrial Measuring & Regulating Station Equip.	19,942,798	8,586,570	43.06%	-15%	19.7	3.65%	728,307
487.00	Other Equipment	7,189,573	2,856,440	39.73%	0%	9.0	6.70%	481,459
Total Distribution Plant		**1,813,095,816**	**714,437,628**	**39.40%**			**2.61%**	**47,411,580**
General Plant								
490.00	Structures and Improvements	7,643,309	2,379,351	31.13%	0%	28.4	2.43%	185,351
491.10	*Office Furniture and Equipment*							

Public Service Company of North Carolina
Table 2: Calculation of Remaining Life Annual Accrual Rate
Using Plant Balances as of December 31, 2020

Account	Description	12/31/20 Plant in Service	12/31/20 Book Reserve Amount	Book Reserve Percent	Future Net Salvage Percent	Remaining Life	Total Annual Calculated Accrual Rate	Total Annual Accrual Amount
A	B	C	D	E	F	G	H=(1-E-F)/G	I=C*H
	Fully Accrued	542,434	542,434	100.00%	0%	0.0	0.00%	0
	Amortized	5,032,701	2,082,500	41.38%	0%	11.7	5.01%	252,154
	Total Office Furniture and Equipment	*5,575,135*	*2,624,934*	*47.08%*	*0%*	*11.7*	*4.52%*	*252,154*
491.50	Computer Equipment	1,985,522	1,241,750	62.54%	0%	1.9	19.72%	391,459
491.60	Remote Meter Reading Equipment	5,586,788	2,954,000	52.87%	0%	4.7	10.03%	560,168
492.10	Automobiles	32,029	24,022	75.00%	25%	0.0	0.00%	0
492.40	Trucks	36,128,328	15,066,336	41.70%	25%	5.6	5.95%	2,148,198
492.70	Trailers	1,889,368	909,029	48.11%	25%	12.4	2.17%	40,968
493.00	*Stores Equipment*							
	Fully Accrued	17,836	17,836	100.00%	0%	0.0	0.00%	0
	Amortized	135,387	123,000	90.85%	0%	1.8	5.08%	6,882
	Total Stores Equipment	*153,223*	*140,836*	*91.92%*	*0%*	*1.8*	*4.49%*	*6,882*
494.50	CNG Refueling Stations - Prior to November 1, 2006	123,478	123,479	100.00%	0%	0.0	0.00%	0
494.60	Tools, Shop, and Garage Equipment - Non-Specific	2,785,759	1,521,000	54.60%	0%	9.1	4.99%	138,985
494.70	CNG Refueling Stations - Post November 1, 2006	6,982,442	3,738,977	53.55%	0%	7.9	5.88%	410,565
496.00	Power Operated Equipment	9,264,376	4,943,101	53.36%	20%	6.4	4.16%	385,688
496.10	Power Operated Equipment - Non-Specific	845,758	140,778	16.65%	20%	3.9	16.24%	137,392
497.00	Communication Equipment	7,133,111	3,647,500	51.13%	0%	7.3	6.69%	477,481
497.10	Radio Equipment	148,057	91,950	62.10%	0%	3.8	9.97%	14,765
498.00	Miscellaneous Equipment	71,482	46,120	64.52%	0%	7.1	5.00%	3,572
498.10	Energy Audit Equipment	26,505	14,230	53.69%	0%	9.3	4.98%	1,320
Total General Plant		**86,374,671**	**39,607,392**	**45.86%**			**5.97%**	**5,154,946**
TOTAL DEPRECIABLE PLANT		**2,758,535,999**	**869,016,279**	**31.50%**			**2.58%**	**71,174,113**
Unrecovered Reserve for Amortization								
491.10	Office Furniture and Equipment		(42,097)			5.0		8,419
491.50	Computer Equipment		1,986,863			5.0		(397,373)
491.60	Remote Meter Reading Equipment		1,526,287			5.0		(305,257)
493.00	Stores Equipment		2,026			5.0		(405)
494.60	Tools, Shop, & Garage Equipment - Non-Specific		(605,726)			5.0		121,145
497.00	Communication Equipment		191,728			5.0		(38,346)
497.10	Radio Equipment		(22,730)			5.0		4,546
498.00	Miscellaneous Equipment		(13,616)			5.0		2,723
498.10	Energy Audit Equipment		(6,344)			5.0		1,269
Total Unrecovered Reserve for Amortization			**3,016,391**					**(603,278)**
TOTAL PLANT		**2,758,535,999**	**872,032,670**	**31.61%**				**70,570,834**

Public Service Company of North Carolina
Table 3: Current and Proposed Parameters
Using Plant Balances as of December 31, 2020

		Current Approved				PSNC Proposed					Public Staff Proposal				
Account	Description	Average Year of Final Retirement	Projection Life Years	Survivor Curve	Future Net Salvage Percent	Average Year of Final Retirement	Projection Life Years	Survivor Curve	Average Remaining Life Years	Future Net Salvage Percent	Average Year of Final Retirement	Projection Life Years	Survivor Curve	Average Remaining Life Years	Future Net Salvage Percent
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Other Storage Plant															
461.00	Structures and Improvements	6-2036	55	R2.5	-5%	6-2036	50	R2	14.7	-5%	6-2036	50	R2	14.7	-5%
462.00	Gas Holders	6-2036	55	S2.5	-10%	6-2036	60	R3	14.4	-10%	6-2036	60	R3	14.4	-10%
463.00	Purification Equipment	6-2036	50	R2.5	-5%	6-2036	55	R1.5	14.8	-5%	6-2036	55	R1.5	14.8	-5%
463.10	Liquefaction Equipment	6-2036	50	R2.5	-5%	6-2036	55	R1.5	14.5	-5%	6-2036	55	R1.5	14.5	-5%
463.20	Vaporizing Equipment	6-2036	50	R2.5	-5%	6-2036	55	R1.5	14.6	-5%	6-2036	55	R1.5	14.6	-5%
463.30	Compressor Equipment	6-2036	50	R2.5	-5%	6-2036	55	R1.5	14.8	-5%	6-2036	55	R1.5	14.8	-5%
463.40	Measuring and Regulating Equipment	6-2036	50	R2.5	-5%	6-2036	55	R1.5	13.3	-5%	6-2036	55	R1.5	13.3	-5%
463.50	Other Equipment	6-2036	50	R2.5	-5%	6-2036	55	R1.5	14.5	-5%	6-2036	55	R1.5	14.5	-5%
Transmission Plant															
465.20	Land Rights		70	R4	0%		70	R4	62.4	0%		70	R4	62.4	0%
466.30	Struct. & Improv. - Compressor Station		40	S2	-10%		40	S2	32.0	-20%		40	S2	32.0	-20%
466.40	Struct. & Improv. - Take-Off Station		40	S2	-10%		40	S2	31.8	-20%		40	S2	31.8	-20%
466.50	Struct. & Improv. - Measuring & Regulating Station		40	S2	-10%		40	S2	36.5	-20%		40	S2	36.5	-20%
466.60	Struct. & Improv. - Regulating Station		40	S2	-10%		40	S2	24.9	-20%		40	S2	24.9	-20%
467.00	Mains		70	R2.5	-15%		68	R2	61.7	-15%		68	R2	61.7	-15%
468.00	Compressor Station Equipment		28	S1.5	-5%		34	S2.5	31.1	-5%		34	S2.5	31.1	-5%
469.40	Take-Off Station Equipment		27	S0	-15%		27	S0	23.2	-20%		27	S0	23.2	-20%
469.50	Measuring and Regulating Equipment		38	R1	-15%		40	R1	34.9	-20%		40	R1	34.9	-20%
469.60	Regulating Station		36	R1	-15%		35	R1	27.3	-20%		35	R1	27.3	-20%
469.70	Main Line Industrial Equipment		26	S0	-15%		23	S0	16.6	-20%		23	S0	16.6	-20%
469.80	Farm Tap Equipment		26	R1	-15%		30	R0.5	24.3	-20%		30	R0.5	24.3	-20%
470.00	Communication Equipment		15	SQ	-5%		17	R4	9.0	-5%		17	R4	9.0	-5%
Distribution Plant															
474.20	Land Rights		65	R4	0%		70	R4	67.3	0%		70	R4	67.3	0%
475.00	*Structures and Improvements - Major*														
	Raleigh Service Center	6-2033	90	R1	-5%	6-2041	85	R1	19.7	-5%	6-2041	85	R1	19.7	-5%
	Sanford Commercial Center	6-2022	90	R1	-5%	6-2027	85	R1	6.4	-5%	6-2027	85	R1	6.4	-5%
	Cary/Apex Operations Center	6-2051	90	R1	-5%	6-2051	85	R1	28.4	-5%	6-2051	85	R1	28.4	-5%
	North Durham Operations Center	6-2051	90	R1	-5%	6-2051	85	R1	28.4	-5%	6-2051	85	R1	28.4	-5%
	South Durham Operations Center	6-2051	90	R1	-5%	6-2051	85	R1	28.4	-5%	6-2051	85	R1	28.4	-5%
	Chapel Hill Operations Center	6-2051	90	R1	-5%	6-2051	85	R1	28.3	-5%	6-2051	85	R1	28.3	-5%
	Henderson	6-2021	90	R1	-5%	6-2031	85	R1	10.3	-5%	6-2031	85	R1	10.3	-5%
	Concord	6-2049	90	R1	-5%	6-2049	85	R1	26.8	-5%	6-2049	85	R1	26.8	-5%
	Troutman Operation Service	6-2051	90	R1	-5%	6-2051	85	R1	28.4	-5%	6-2051	85	R1	28.4	-5%
	Gastonia	6-2047	90	R1	-5%	6-2047	85	R1	25.0	-5%	6-2047	85	R1	25.0	-5%
	Forest City	6-2044	90	R1	-5%	6-2044	85	R1	22.4	-5%	6-2044	85	R1	22.4	-5%

Public Service Company of North Carolina
Table 3: Current and Proposed Parameters
Using Plant Balances as of December 31, 2020

		Current Approved				PSNC Proposed					Public Staff Proposal				
Account	Description	Average Year of Final Retirement	Projection Life Years	Survivor Curve	Future Net Salvage Percent	Average Year of Final Retirement	Projection Life Years	Survivor Curve	Average Remaining Life Years	Future Net Salvage Percent	Average Year of Final Retirement	Projection Life Years	Survivor Curve	Average Remaining Life Years	Future Net Salvage Percent
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
	Asheville	6-2051	90	R1	-5%	6-2051	85	R1	28.4	-5%	6-2051	85	R1	28.4	-5%
	Hendersonville	6-2036	90	R1	-5%	6-2036	85	R1	15.0	-5%	6-2036	85	R1	15.0	-5%
	Marietta Street Warehouse														
	Energy Center	6-2025	90	R1	-5%	6-2025	85	R1	4.5	-5%	6-2025	85	R1	4.5	-5%
	Corporate Warehouse Gaston Road	6-2064	90	R1	-5%	6-2064	85	R1	39.6	-5%	6-2064	85	R1	39.6	-5%
475.10	Structures and Improvements - Other		34	L2	-5%		38	S1	32.1	-5%		38	S1	32.1	-5%
476.10	Mains - Plastic		65	R3	-40%		65	R3	52.0	-40%		65	R3	52.0	-20%
476.30	Mains - Steel		65	R2.5	-40%		68	R2.5	55.8	-40%		68	R2.5	55.8	-20%
478.10	District Regulating Equipment		23	S0.5	-20%		27	S0	20.6	-25%		27	S0	20.6	-25%
480.10	Services - Plastic		50	R3	-100%		50	R2.5	37.4	-125%		50	R2.5	37.4	-125%
480.20	Services - Steel		52	R1	-100%		50	R1	21.5	-125%		50	R1	21.5	-125%
481.00	Meters		41	R2.5	5%		41	R2.5	28.4	5%		41	R2.5	28.4	5%
481.10	Meters - ERT		15	S2.5	1%		16	R5	5.6	1%		16	R5	5.6	1%
482.00	Meter Installations		50	R3	0%		50	R4	33.3	0%		50	R4	33.3	0%
485.00	Industrial Measuring & Regulating Station Equip.		26	S0	-5%		29	S0	19.7	-15%		29	S0	19.7	-15%
487.00	Other Equipment		14	SQ	0%		14	R4	9.0	0%		14	R4	9.0	0%
General Plant															
490.00	Structures and Improvements	6-2051	90	R1	-5%	6-2051	85	R1	28.4	0%	6-2051	85	R1	28.4	0%
491.10	*Office Furniture and Equipment*														
	Fully Accrued		20	SQ	0%										
	Amortized		20	SQ	0%		20	SQ	11.7	0%		20	SQ	11.7	0%
491.50	Computer Equipment		5	SQ	0%		5	SQ	1.9	0%		5	SQ	1.9	0%
491.60	Remote Meter Reading Equipment		10	SQ	0%		10	SQ	4.7	0%		10	SQ	4.7	0%
492.10	Automobiles		5	R3	20%		5	R3	0.0	25%		5	R3	0.0	25%
492.40	Trucks		9	L2.5	20%		9	L2.5	5.6	25%		9	L2.5	5.6	25%
492.70	Trailers		18	L2.5	20%		22	S1.5	12.4	25%		22	S1.5	12.4	25%
493.00	*Stores Equipment*														
	Fully Accrued		25	SQ	0%										
	Amortized		25	SQ	0%		25	SQ	1.8	0%		25	SQ	1.8	0%
494.50	CNG Refueling Stations - Prior to November 1, 2006		17	R4	0%		17	R4	0.0	0%		17	R4	0.0	0%
494.60	Tools, Shop, and Garage Equipment - Non-Specific		20	SQ	0%		20	SQ	9.1	0%		20	SQ	9.1	0%
494.70	CNG Refueling Stations - Post November 1, 2006		11	R2	0%		14	S2.5	7.9	0%		14	S2.5	7.9	0%
496.00	Power Operated Equipment		12	L2.5	20%		12	L2.5	6.4	20%		12	L2.5	6.4	20%

Public Service Company of North Carolina
Table 3: Current and Proposed Parameters
Using Plant Balances as of December 31, 2020

		Current Approved				PSNC Proposed					Public Staff Proposal				
Account	Description	Average Year of Final Retirement	Projection Life Years	Survivor Curve	Future Net Salvage Percent	Average Year of Final Retirement	Projection Life Years	Survivor Curve	Average Remaining Life Years	Future Net Salvage Percent	Average Year of Final Retirement	Projection Life Years	Survivor Curve	Average Remaining Life Years	Future Net Salvage Percent
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
496.10	Power Operated Equipment - Non-Specific		14	R2.5	20%		11	R4	3.9	20%		11	R4	3.9	20%
497.00	Communication Equipment		15	SQ	0%		15	SQ	7.3	0%		15	SQ	7.3	0%
497.10	Radio Equipment		10	SQ	0%		10	SQ	3.8	0%		10	SQ	3.8	0%
498.00	Miscellaneous Equipment		20	SQ	0%		20	SQ	7.1	0%		20	SQ	7.1	0%
498.10	Energy Audit Equipment		20	SQ	0%		20	SQ	9.3	0%		20	SQ	9.3	0%
Unrecovered Reserve for Amortization															
491.10	Office Furniture and Equipment								5.0					5.0	
491.50	Computer Equipment								5.0					5.0	
491.60	Remote Meter Reading Equipment								5.0					5.0	
493.00	Stores Equipment								5.0					5.0	
494.60	Tools, Shop, & Garage Equipment - Non-Specific								5.0					5.0	
497.00	Communication Equipment								5.0					5.0	
497.10	Radio Equipment								5.0					5.0	
498.00	Miscellaneous Equipment								5.0					5.0	
498.10	Energy Audit Equipment								5.0					5.0	

Comparison of Actually Incurred Net Salvage and Net Salvage in Proposed Depreciation Rates

Account	Description	Five Year Net Salvage Actually Incurred	Net Salvage Recovery included in PSNC's Proposed Depr Rates	PSNC Proposed / Actually Incurred	Net Salvage Recovery included in Public Staff's Proposed Depr Rates	Public Staff Proposed / Actually Incurred
		A	B	C=B/A	D	E=D/A
Transmission Plant						
465.20	Land Rights	0	0		0	
466.30	Structures and Improvements - Compressor Station		36,345		36,345	
466.40	Structures and Improvements - Take-Off Station		9,071		9,071	
466.50	Structures and Improvements - Measuring and Regulating Station		644		644	
466.60	Structures and Improvements - Regulating Station		839		839	
466.00	*Structures and Improvements*	*9,274*	*46,898*	*5.1*	*46,898*	*5.1*
467.00	Mains	198,396	1,204,416	6.1	1,204,416	6.1
468.00	Compressor Station Equipment	0	257,651		257,651	
469.40	Take-Off Station Equipment		181,263		181,263	
469.50	Measuring and Regulating Equipment		84,245		84,245	
469.60	Regulating Station		44,368		44,368	
469.70	Main Line Industrial Equipment		519		519	
469.80	Farm Tap Equipment		54,115		54,115	
469.00	*Measuring and Regulating Equipment*	*136,755*	*364,511*	*2.7*	*364,511*	*2.7*
470.00	Communication Equipment	4,282	3,327	0.8	3,327	0.8
Total Transmission Plant		**348,706**	**1,876,802**	**5.4**	**1,876,802**	**5.4**
Distribution Plant						
474.20	Land Rights	0	0		0	
475.00	*Structures and Improvements - Major*		53,541		53,509	
475.10	Structures and Improvements - Other		3,406		3,406	
475.00	*Total Structures and Improvements*	*29,779*	*56,946*	*1.9*	*56,915*	*1.9*
476.10	Mains - Plastic		3,445,639		1,625,700	
476.30	Mains - Steel		2,651,168		1,250,374	
476.00	*Mains*	*494,127*	*6,096,807*	*12.3*	*2,876,073*	*5.8*
478.10	District Regulating Equipment	85,262	146,825	1.7	146,825	1.7
480.10	Services - Plastic		11,604,652		11,604,652	
480.20	Services - Steel		966,062		966,062	
480.00	*Services*	*6,301,187*	*12,570,713*	*2.0*	*12,570,713*	*2.0*
481.00	Meters	(23,207)	(93,298)	4.0	(93,298)	4.0
481.10	Meters - ERT	(1,658)	(17,073)	10.3	(17,073)	10.3
482.00	Meter Installations	(28,006)	0	0.0	0	0.0
485.00	Industrial Measuring and Regulating Station Equipment	33,971	94,945	2.8	94,945	2.8
487.00	Other Equipment	0	0		0	
Total Distribution Plant		**6,891,456**	**18,855,865**	**2.7**	**15,635,100**	**2.3**

Source:
PSNC response to PS 55-03 Attachment

Public Service Company of North Carolina, Inc.
Docket No. G-5, Sub 632

Public Staff Data Request No. 55
June 11, 2021

55-4. Please explain the differences in the Company's main retirement practices that supports a proposed -15% future net salvage percent for Account 467, Mains, but a proposed -40% future net salvage percent for Account 476, Mains in the Company filing.

RESPONSE:

Although both accounts relate to mains, the nature of retirement projects can be quite different between transmission mains and distribution mains. Most transmission main retirement projects are fairly long lengths of pipe being retired and, therefore, only two holes are needed to properly retire the large asset value. For distribution mains, there are much smaller lengths of pipe being retired for each project and in many cases a project may only be a valve being retired. Additionally, more distribution mains are laid in the streets, which requires more costly site restoration. These factors will cause cost of removal to be a higher percentage of the associated original cost being retired.

Prepared by or under the supervision of: John Spanos, Gannett Fleming Valuation and Rate Consultants, LLC

Dated: June 19, 2021

Public Service Company of North Carolina, Inc.
Docket No. G-5, Sub 632

Public Staff Data Request No. 23
May 5, 2021

23-14. Regarding Account 467, Transmission Mains

(a) Is it a correct statement that the transmission mains in account 467 are generally retired in place? If this is not a correct statement, provide the corrected statement and the support for the corrected statement.

(b) In total for the most recent five years included in the filed Depreciation Study, were at least 75% the transmission mains in account 467 that retired during those years retired in place? If this is not a correct statement, provide the corrected statement and the support for the corrected statement.

(c) In total for the most recent five years included in the filed Depreciation Study, what percent of the transmission mains in account 467 that were retired during those years were retired in place?

(d) If the response to part (b) is other than an unqualified affirmative, explain the most frequent reason that the transmission mains were not retired in place, and explain how they were physically retired (for example dug up the entire length and physically removed).

RESPONSE:

(a) It is a correct statement that transmission mains in Account 467 are typically retired in place. However, quite often when small segments of mains are retired, or valves are retired, then these assets are commonly removed. Also, it should be noted that when mains are retired in place there is commonly cost to retire these mains which is recorded as cost of removal.

(b) The total amount of mains that were retired over the most recent five years has not been identified as in place or removed. However, based on Company standards it is very likely that more than 75% of the footage of mains was retired in place.

(c) The exact percentage of transmission mains retired in place as compared to total mains retired is not known. However, based on Company standards it is estimated to be more than 75% retired in place.

(d) As mentioned in (a) above, the most common reason a transmission main retirement would not be in place would be if a valve was replaced or a small segment of main. In these instances, the asset is dug up and physically replaced as there will be a new asset connecting to the existing main.

Prepared by or under the supervision of: John Spanos, Gannett Fleming Valuation and Rate Consultants, LLC

Dated: May 11, 2021

Public Service Company of North Carolina, Inc.
Docket No. G-5, Sub 632

Public Staff Data Request No. 23
May 5, 2021

23-15. Regarding Account 476, Distribution Mains.

(a) Is it a correct statement that the distribution mains in account 476 are generally retired in place? If this is not a correct statement, provide the corrected statement and the support for the corrected statement.

(b) In total for the most recent five years included in the filed Depreciation Study, were at least 75% the distribution mains in account 476 that retired during those years retired in place? If this is not a correct statement, provide the corrected statement and the support for the corrected statement.

(c) In total for the most recent five years included in the filed Depreciation Study, what percent of the distribution mains in account 476 that were retired during those years were retired in place?

(d) If the response to part (b) is other than an unqualified affirmative, explain the most frequent reason that the distribution mains were not retired in place, and explain how they were physically retired (for example dug up the entire length and physically removed).

RESPONSE:

(a) It is a correct statement that distribution mains in Account 476 are typically retired in place. However, quite often when small segments of mains are retired, or valves are retired, then these assets are commonly removed. Also, it should be noted that when mains are retired in place there is commonly cost to retire these mains which is recorded as cost of removal.

(b) The total amount of mains that were retired over the most recent five years has not been identified as in place or removed. However, based on Company standards it is very likely that more than 75% of the footage of mains was retired in place.

(c) The exact percentage of distribution mains retired in place as compared to total mains retired is not known. However, based on Company standards it is estimated to be more than 75% retired in place.

(d) As mentioned in (a) above, the most common reason a distribution main retirement would not be in place would be if a valve was replaced or a small segment of main. In these instances, the asset is dug up and physically replaced as there will be a new asset connecting to the existing main.

Prepared by or under the supervision of: John Spanos, Gannett Fleming Valuation and Rate Consultants, LLC

Dated: May 11, 2021