

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

NEWS RELEASE

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UTILITIES COMMISSION ORDERS RATE CHANGES FOR
PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.

The North Carolina Utilities Commission today issued an Order in a general rate case allowing Public Service Company of North Carolina, Inc. (PSNC), to increase its rates and charges by approximately \$10.8 million annually. The overall increase allowed was 3.62% effective October 7, 1994.

The Company's application for a general rate increase was filed with the Commission on March 9, 1994. PSNC initially requested an increase of approximately \$24.3 million in revenues. During the course of the hearing in this matter, PSNC amended its request to approximately \$17.2 million.

In its application, PSNC stated that it has been adding customers and making capital investments in its utility properties, both at unprecedented levels, and has experienced increased costs for operations and investment. The reasons cited by PSNC in support of a rate increase were to allow it to maintain its facilities and services in accordance with the reasonable requirements of its customers, to compete in the market for capital funds on fair and reasonable terms, and to produce a fair profit for its stockholders.

The Commission notes that the increase to specific classes of customers will vary in order to have each customer class pay its fair share of the cost of providing service.

A typical year-round residential customer's annual bill will increase approximately 7.0% based on 834 therms of gas usage per year.

In allowing the increase, the Commission found that the approved rates will provide PSNC, under efficient management, an opportunity to earn an approximate 10.51% rate of return on its rate base devoted to providing utility service in North Carolina. This is a reduction from 11.10% approved in the Company's last general rate case in 1991.

Two other Orders have been issued in separate proceedings regarding the rates charged by PSNC. On October 4, 1994, the Commission approved the request

of PSNC to decrease its sales rates by \$.2643 per dekatherm effective at the same time as the rate changes approved in the general rate case noted above. This reduction in its rates will result in a decrease in PSNC's annual level of revenues by approximately \$13.3 million or 4.5%. This rate change is a result of an anticipated decrease in PSNC's commodity cost of gas from \$2.75 to \$2.50/dt, which more truly reflects the current spot market price of gas. This change was made pursuant to a statute which allows gas utilities to adjust their rates up or down from time to time based upon their anticipated cost of gas.

The Commission also issued an Order today after a hearing conducted for the purpose of comparing PSNC's prudently-incurred gas costs with costs recovered from all the utility's customers during the prior year. The effect of this Order is to require PSNC to place a net decrement in its rates for a period of one year so as to refund to its customers approximately \$1.9 million during the next twelve months.

PSNC and a subsidiary of Piedmont Natural Gas Company, Inc., have entered into an agreement to jointly construct an intrastate pipeline called Cardinal Pipeline, which is expected to be completed in December 1994. When Cardinal is completed and put in service, the record in the rate case will be re-opened, a further hearing will be held to consider evidence regarding the cost of the Cardinal Pipeline, and PSNC's rates will be adjusted accordingly. The rate changes noted above exclude the effect of the Cardinal Pipeline.