

**PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.
DOCKET NO. G-5, SUB 565**

**TESTIMONY OF MICHELLE M BOSWELL
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION**

AUGUST 18, 2016

1 Q. WILL YOU STATE FOR THE RECORD YOUR NAME, ADDRESS,
2 AND PRESENT POSITION?

3 A. My name is Michelle M. Boswell. My business address is 430 North
4 Salisbury Street, Raleigh, North Carolina. I am an Accountant in the
5 Accounting Division of the Public Staff. My experience and
6 qualifications are provided in Appendix A.

7 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
8 PROCEEDING?

9 A. The purpose of my testimony is to support the Partial Stipulation
10 between Public Service Company of North Carolina, Inc. (PSNC or
11 the Company), the Public Staff, Carolina Utility Customers
12 Association, Inc., and Blue Ridge Paper Products, Inc. d/b/a
13 Evergreen Packaging (Collectively, "Stipulating Parties") regarding
14 certain issues related to the Company's pending application for a
15 general rate increase. Specifically, I discuss the accounting and
16 ratemaking adjustments to which PSNC and the Public Staff have
17 agreed as set forth on Schedule 1 of Boswell Exhibit I attached to my
18 testimony.

1 Q. PLEASE DISCUSS THE COMPANY'S APPLICATION FOR A RATE
2 INCREASE.

3 A. In its application filed on March 31, 2016, PSNC requested
4 \$41,583,020 in additional revenue requirement.

5 Q. PLEASE DESCRIBE THE SCOPE OF THE PUBLIC STAFF'S
6 INVESTIGATION INTO THE COMPANY'S FILING.

7 A. The Public Staff's investigation included a review of the application,
8 testimony, exhibits and other data filed by the Company, an
9 examination of the books and records for the test year, and a review
10 of the Company's accounting, end-of-period, other data, and after
11 period adjustments to test year revenue, expenses, and rate base.
12 It also included a review of the Company's responses to the Public
13 Staff's data requests. At the conclusion of this investigation, PSNC
14 and the Public Staff entered into settlement negotiations and have
15 reached settlement of certain of the issues in this proceeding,
16 including the revenue requirement. The Partial Stipulation between
17 the Stipulating Parties is being filed contemporaneously with my
18 testimony.

19 Q. WHAT BENEFITS DOES THE PARTIAL STIPULATION PROVIDE
20 FOR RATEPAYERS?

21 A. From the perspective of the Public Staff, among the most important
22 benefits provided by the Partial Stipulation are as follows:

1 (a) A significant reduction in the Company's proposed
2 revenue increase in this proceeding.

3 (b) The avoidance of protracted litigation by the Stipulating
4 Parties before the Commission and possibly the appellate
5 courts.

6 Based on these ratepayer benefits, as well as the other provisions of
7 the Partial Stipulation, the Public Staff believes the Partial Stipulation
8 is in the public interest and should be approved.

9 Q. ARE THERE ANY AREAS ABOUT WHICH THE PUBLIC STAFF
10 AND PSNC DID NOT REACH AGREEMENT?

11 A. Yes. The Public Staff and PSNC did not reach agreement regarding
12 two Public Staff revenue requirement adjustments: (1) the Pipeline
13 Integrity Management (PIM) amortization, and (2) the Manufactured
14 Gas Plant (MGP) amortization. Public Staff witness Hoard presents
15 the Public Staff's position on those issues. If the Commission
16 approves the Company's requests related to the items above, the
17 stipulated revenue requirement would be adjusted pursuant to
18 Commission Order.

19 Q. WOULD YOU PLEASE BRIEFLY DESCRIBE THE STIPULATED
20 REVENUE REQUIREMENT?

21 A. Yes. Schedule 1 of Boswell Exhibit I sets forth the rate base, net
22 operating income, return, and revenue increase amounts agreed to

1 by the Stipulating Parties, excluding the effect of the MGP and PIM,
2 which are addressed by Public Staff witness Hoard.

3 Based on the level of rate base, revenue, and expenses annualized
4 and updated through June 30, 2016, the stipulated increase in
5 revenue requirement is currently \$19,377,942, effective November
6 1, 2016.

7 Q. PLEASE DESCRIBE THE ORGANIZATION OF YOUR EXHIBITS.

8 A. Schedule 1 of Exhibit I presents a reconciliation of the difference
9 between the Company's requested increase of \$41,583,020,
10 including the effect of supplemental adjustments, and the stipulated
11 increase as well as the Public Staff's recommended amounts on two
12 non-stipulated items, of \$19,377,942. The revenue requirement
13 effect of the non-stipulated amounts total \$2,986,064, excluding any
14 cash working capital impacts. Boswell Exhibit I, Schedule 1-1 shows
15 the supporting calculation of certain items, which are used to
16 determine the amounts presented on Boswell Exhibit I, Schedule 1.

17 Schedule 1 also sets forth the revenue requirements impact, based
18 on adjusted fixed gas costs, net of secondary market credits, and lost
19 and unaccounted for (LAUF) gas costs. Public Staff witness Perry
20 addresses the fixed gas costs item in her testimony, and Public Staff
21 witness Larsen addresses the LAUF item in his testimony. I have
22 set out the fixed gas cost and LAUF items separately from the impact

1 of the other Public Staff revenue requirement adjustments, because
2 these items are trued-up in the Company's Deferred Gas Cost
3 Accounts to the actual amounts incurred by the Company and thus
4 do affect the Company's margin (revenue less gas costs).

5 Schedule 2 presents the adjusted original cost rate base as
6 recommended by the Public Staff. The adjustments made to the
7 Company's proposed level of rate base are summarized on
8 Schedules 2(a), 2-1, and 2-2, and detailed on backup schedules.

9 Schedule 3 presents a statement of net operating income for return
10 under present rates as adjusted by the Public Staff. Schedule 3
11 summarizes the stipulated adjustments as well as the Public Staff's
12 adjustments for the two non-stipulated items, all of which are detailed
13 on backup schedules.

14 Schedule 4 presents the calculation of required net operating
15 income, based on the Public Staff recommended rate base and
16 stipulated cost of capital.

17 Schedule 5 presents the calculation of the required increase in
18 operating revenue necessary to achieve the required net operating
19 income.

1 Q. DOES BOSWELL EXHIBIT I, SCHEDULE 1, REFLECT
2 ADJUSTMENTS SUPPORTED BY OTHER PUBLIC STAFF
3 WITNESSES?

4 A. Yes. These adjustments are as follows:

- 5 1) The recommendations of Public Staff witness Larsen
6 regarding end of period revenues adjusted for weather and
7 growth and LAUF.
8
9 2) The recommendations of Public Staff witness Perry regarding
10 the stipulated Integrity Management Tracker, the stipulated
11 fixed gas costs, and the various reporting requirement
12 changes reflected in the Partial Stipulation.
13
14 3) The recommendations of Public Staff witness Hoard
15 regarding the non-stipulated PIM and MGP amortizations and
16 related rate base amounts.

17 Q. PLEASE DESCRIBE THE ADJUSTMENTS SHOWN ON BOSWELL
18 EXHIBIT 1, SCHEDULE 1.

19 A. These adjustments are described below.

20 **PLANT IN SERVICE AND RELATED ITEMS**

21 Q. PLEASE EXPLAIN THE ADJUSTMENT TO PLANT IN SERVICE
22 AND RELATED ITEMS.

23 A. The Company's exhibits reflect the actual December 31, 2015 plant
24 and accumulated depreciation as well as an estimated June 30, 2016
25 amounts for these items. I have reviewed PSNC's process of
26 booking plant and depreciation as well as audited several projects,
27 and located no deficiencies. Boswell Exhibit I, Schedule 1 reflects
28 an adjustment to update plant and accumulated depreciation, and
29 related depreciation expense and property taxes, for actual plant

1 additions through June 30, 2016. Depreciation expense reflects the
2 depreciation rates PSNC filed in the depreciation study as part of this
3 rate case. The Public Staff reviewed the depreciation study, found
4 no issues with the new depreciation rates, and recommends
5 approval of the proposed depreciation rates.

6 **WORKING CAPITAL**

7 Q. PLEASE EXPLAIN THE ADJUSTMENT TO WORKING CAPITAL.

8 A. The Partial Stipulation includes three adjustments to working capital.
9 First, PSNC included three deferred/prepaid items which were all
10 due to be fully amortized within the next 12 months. Since these
11 three items were current, they were removed from the calculation of
12 working capital. Working capital was also updated to reflect the
13 actual June 30, 2016 balances. Finally, I included the unamortized
14 balances for MGP, PIM, and Distribution Integrity Management Plan
15 (DIMP). As stated earlier the treatment of MGP and PIM is
16 addressed by Public Staff witness Hoard, and I address the
17 treatment of DIMP later in my testimony.

18 **GAS IN STORAGE AND MATERIALS AND SUPPLIES**

19 Q. WHAT ADJUSTMENTS HAVE BEEN MADE TO GAS IN STORAGE
20 AND MATERIALS AND SUPPLIES?

21 A. Gas in Storage, as well as Materials and Supplies, were updated to
22 reflect a 13-month average through June 30, 2016, as shown on
23 Boswell Exhibit I, Schedule 2-2(a).

ACCUMULATED DEFERRED INCOME TAXES

1
2 Q. PLEASE EXPLAIN THE ADJUSTMENTS TO ACCUMULATED
3 DEFERRED INCOME TAXES.

4 A. The Partial Stipulation includes two adjustments to accumulated
5 deferred income taxes (ADIT). First, PSNC included an estimate for
6 ADIT in its filing, which has been updated to reflect the actual
7 balance of ADIT as of June 30, 2016. Additionally, the Partial
8 Stipulation includes \$1,897,985 of ADIT related to the special
9 contracts adjustment described below.

CASH WORKING CAPITAL FOR PRESENT RATES

10
11 Q. PLEASE EXPLAIN THE ADJUSTMENT TO CASH WORKING
12 CAPITAL FOR PRESENT RATES.

13 A. Cash working capital (CWC) has been computed by the Company
14 using the lead-lag study method and the Company has adjusted
15 CWC to fully reflect its proposed adjustments, before the amount of
16 its proposed rate increase. The Public Staff has adjusted CWC to
17 reflect all the stipulated adjustments, as well as the two non-
18 stipulated Public Staff adjustments in accordance with the
19 Commission's Order in Docket No. M-100, Sub 137. This
20 \$1,903,594 working capital adjustment, which is reflected on
21 Schedules 2-3, incorporates the effect on lead-lag study cash
22 working capital of the Public Staff adjustments, before the rate
23 increase.

1 **SPECIAL CONTRACTS**

2 Q. WHAT ADJUSTMENTS HAVE BEEN MADE TO SPECIAL
3 CONTRACTS?

4 A. The Company provides natural gas transportation service to a power
5 plant located near Asheville, North Carolina, pursuant to a contract
6 dated March 10, 2000. Though the contract has a 25-year term, the
7 customer paid demand charges over the initial five years of the
8 contract for the actual cost of the facilities installed by PSNC
9 pursuant to the contract. The contract also requires the customer to
10 pay PSNC separate charges related to PSNC's ongoing fuel, O&M
11 expenses, and property taxes. No demand charge payments from
12 the customer related to the plant have been reflected in the
13 Company's revenues in the current rate case filing. The Partial
14 Stipulation adjustment removes from the cost of service the amounts
15 included by the Company for plant, accumulated depreciation,
16 accumulated deferred income taxes, depreciation expense, and
17 property taxes associated with the facilities installed by PSNC.

18 **PAYROLL AND RELATED EXPENSES**

19 Q. WHAT ADJUSTMENTS HAVE BEEN MADE TO PAYROLL AND
20 RELATED EXPENSES?

21 A. The Company's payroll and related expenses have been adjusted to
22 reflect the following items: (a) annualized actual PSNC payroll costs
23 (both union and non-union) as of June 30, 2016, (b) updated

1 information regarding union progression pay increases scheduled to
2 become effective after June 30, 2016, but before the December 31,
3 2016, end of the current union contract, (c) PSNC overtime pay
4 based on the average number of overtime hours for the last three
5 years, (d) the removal of the Company's proposed 2.5% increase to
6 overtime dollars, (e) the O&M portion of payroll for three positions
7 hired subsequent to June 30, 2016 that will start employment by the
8 hearing date in this case, and (f) the SCANA services payroll
9 allocated to PSNC through June 30, 2016.

10 **BONUS ACCRUALS**

11 Q. PLEASE EXPLAIN THE ADJUSTMENT TO BONUS ACCRUALS.

12 A. PSNC included an estimate as of February 2016 for six incentive pay
13 plans to calculate its adjustment to bonus accruals. Bonus accruals
14 have been updated to reflect the actual accruals for the six incentive
15 pay plans as of June 30, 2016. The decrease of \$1,178,457 to the
16 bonus accrual adjustment is reflected in Boswell Exhibit I, Schedule
17 3-2.

18 **PAYROLL BENEFITS**

19 Q. WHAT ADJUSTMENT HAS BEEN MADE TO PAYROLL
20 BENEFITS?

21 A. The Company used the actual test year relationship of total SCANA
22 payroll benefits to total SCANA payroll in computing the payroll
23 benefits factor, and applied it to direct and allocated PSNC payroll.

1 The payroll benefits include 401K, long-term disability, and short-
2 term disability. The payroll benefits factor was updated to reflect the
3 actual ratio for the 12-months ended June 30, 2016, and it was
4 applied to updated payroll to determine the updated amount of
5 payroll benefits, as reflected on Boswell Exhibit I, Schedule 3-3.

6 **INCENTIVE PAY FOR EXECUTIVES**

7 Q. PLEASE EXPLAIN THE ADJUSTMENT TO INCENTIVE PAY FOR
8 EXECUTIVES.

9 A. PSNC's O&M expenses reflect the allocation of \$2,229,159 of the
10 salaries and bonus pay (short-term and long-term incentive plans)
11 for nine SCANA senior staff persons. The percentage of bonus pay
12 allocated to PSNC from SCANA was, however, significantly higher
13 than the percentage of senior staff salaries allocated to PSNC. The
14 stipulated adjustment reallocated the SCANA bonus pay for the nine
15 SCANA senior staff persons to PSNC consistent with the allocation
16 of senior staff salaries, calculating a decrease to O&M expenses of
17 \$869,580, as depicted on Boswell Exhibit I, Schedule 3-4.

18 **EXECUTIVE COMPENSATION**

19 Q. WHAT ADJUSTMENT HAS BEEN MADE TO EXECUTIVE
20 COMPENSATION?

21 A. As reflected on Boswell Exhibit I, Schedule 3-5, the stipulated
22 adjustment assigned 50% of the compensation charged to PSNC for
23 the five top SCANA executives, as listed in its 2016 proxy statement,

1 to non-utility operations. Compensation for each executive is
2 composed of the annual salary, long-term incentive pay, short-term
3 incentive pay, and other compensation, as described in the 2016
4 SCANA proxy statement.

5 **RETIRED EXECUTIVE COMPENSATION**

6 Q. WHAT ADJUSTMENT HAS BEEN MADE TO RETIRED
7 EXECUTIVE COMPENSATION?

8 A. The Company included \$139,250 in salary and bonus pay for a
9 retired executive in its O&M expenses. These dollars were removed
10 as the executive compensation for his replacement has been
11 included in the executive compensation describe early in my
12 testimony.

13 **NON-UTILITY O&M EXPENSES**

14 Q. PLEASE EXPLAIN THE ADJUSTMENT TO NON-UTILITY O&M
15 EXPENSES.

16 A. PSNC applied its non-utility allocation factor to Administration &
17 General Salaries, Copier Paper & Supplies, Building Services,
18 Property Insurance, and some Miscellaneous General Expenses. I
19 reviewed PSNCs non-utility allocation factors for both
20 merchandising, jobbing, and CNG as well as non-utility equity
21 investments, and found no errors within the calculations. The
22 stipulated adjustment includes several additional accounts in the
23 adjustment to non-utility O&M expenses based upon the Public

1 Staff's general knowledge of PSNC's non-utility operations and
2 consistent with adjustments made in previous rate cases. The
3 additional accounts and amounts included, as well as the total
4 adjustment to non-utility O&M expenses are depicted on Boswell
5 Exhibit I, Schedule 3-11.

6 **NON-UTILITY PLANT**

7 Q. WHAT ADJUSTMENT HAS BEEN MADE TO NON-UTILITY
8 PLANT?

9 A. Non-utility plant was updated to reflect the updated plant and
10 accumulated depreciation balances as of June 30, 2016.

11 **DISTRIBUTION INTEGRITY MANAGEMENT PLAN**

12 Q. PLEASE EXPLAIN THE ADJUSTMENTS TO DISTRIBUTION
13 INTEGRITY MANAGEMENT PLAN.

14 A. PSNC adjusted O&M expenses by \$1,519,116 to reflect an increase
15 in ongoing distribution integrity costs to \$2,000,000, as the result of
16 the US Department of Transportation Pipeline and Hazardous
17 Materials Safety Administration (PHMSA) distribution pipeline safety
18 requirements. The Public Staff fully supports PSNC as it works to
19 improve the safety across its system but proposes that the
20 Company's distribution integrity management plan (DIMP) costs be
21 treated in a manner similar to the transmission-related PIM program.
22 Like PIM costs, which have been deferred and amortized, after
23 review by the Public Staff and Commission, DIMP costs will vary from

1 year-to-year, depending on the type of work performed. Due to the
2 similarities to the PIM, which is a similar program that is targeted
3 towards transmission facilities, the stipulated adjustment reflects
4 DIMP costs as a regulatory asset that would be amortized over a
5 period of years. The Stipulation reflects the inclusion of the
6 unamortized portion in rate base.

7 There are three adjustments to PSNC's proposed DIMP adjustment.
8 First, the adjustment has been updated to reflect the Company's
9 actual DIMP costs at June 30, 2016 of \$1,501,093. Next, the
10 \$1,501,093 balance is amortized over 5 years to reflect an ongoing
11 recoverable level of expenses for the distribution safety plans.
12 Finally, the unamortized balance of \$1,200,875 was included in rate
13 base as a component of working capital to reflect the regulatory asset
14 treatment of the item.

15 **INFLATION**

16 Q. PLEASE EXPLAIN THE ADJUSTMENT TO INFLATION.

17 A. This adjustment reflects the effects of inflation on O&M expenses not
18 otherwise updated or brought to an end-of-period level. The
19 Company reflected an inflation adjustment by applying an inflation
20 factor of 2.39% to test year O&M expenses not specifically adjusted
21 elsewhere. The Partial Stipulation reflects use of an inflation factor
22 of 2.2% based upon updated CPI indices. O&M expenses, such as
23 payroll, that were adjusted elsewhere were deducted before applying

1 the inflation factor. The inflation adjustment was modified to deduct
2 the additional adjustments recommended to non-utility O&M
3 expenses, the Company's non-utility O&M adjustment, advertising
4 expenses, Salesforce, and lobbying/political expenses. The
5 stipulated adjustment also removed contributions and donations as
6 well as expenses related to entertainment and gifts. The non-utility
7 O&M, Salesforce, and advertising costs were deducted because
8 those items are specifically adjusted elsewhere to an ongoing level.

9 In its filing, the Company adjusted O&M expenses for SCANA
10 Services chargebacks. The Partial Stipulation reflects the removal
11 of that adjustment. Because the SCANA chargebacks, minus payroll
12 and employee benefits, have not been adjusted to an end-of-period
13 level, the SCANA chargebacks should be added to the base amount
14 used to determine the amount of the inflation adjustment. The
15 adjustment to the SCANA Services chargebacks is discussed later
16 in my testimony. These adjustments resulted in an increase for
17 inflation of \$449,153, as shown on Boswell Exhibit I, Schedule 3-10.

18 **RATE CASE EXPENSE**

19 Q. WHAT ADJUSTMENT HAS BEEN MADE TO RATE CASE
20 EXPENSES?

21 A. The Company proposed that estimated rate case expenses of
22 \$418,300 be amortized over three years. The Partial Stipulation
23 reflects the amortization of \$312,036 of rate case expenses,

1 including the cost of the Public Staff rate-of-return consultant, over a
2 5-year period.

3 **POSTAGE**

4 Q. PLEASE EXPLAIN THE ADJUSTMENT TO POSTAGE.

5 A. The Company computed its postage adjustment by first applying a
6 customer growth factor to actual test year postage expense, and then
7 decreasing that amount by the percentage decrease in the postage
8 rate. This new lower level of postage was then compared to the
9 actual postage expense to compute a decrease in postage expense
10 adjustment of \$32,366. The Company's growth adjustment was
11 removed, as it was included in the adjustment to customer accounts.
12 In addition, the amount includes a corresponding adjustment to
13 remove postage related to disallowed advertising expense for
14 account 913. I removed the same percentage of excluded direct
15 mailing advertising from postage included in account 913 associated
16 with these mailings. These adjustments decreased postage
17 expense by \$144,717, as reflected in Boswell Exhibit I, Schedule 3-
18 8.

19 **UNCOLLECTIBLES EXPENSE**

20 Q. PLEASE EXPLAIN THE ADJUSTMENT TO UNCOLLECTIBLES
21 EXPENSE.

22 A. PSNC calculated a 0.25% uncollectibles factor based upon the
23 uncollectibles and revenues for 2015. This rate is utilized for the

1 stipulated calculation of updated revenues from sales and
2 transportation of gas recommended by Public Staff witness Larsen,
3 net of gas costs to derive the recommended level of uncollectibles
4 expense. This resulted in a decrease of \$22,445 in uncollectibles
5 expense, as shown on Boswell Exhibit I, Schedule 3-9.

6 **REGULATORY FEE**

7 Q. WHAT ADJUSTMENT HAS BEEN MADE TO THE REGULATORY
8 FEE?

9 A. As detailed later in my testimony, the regulatory fee decreased to
10 0.14% effective July 11, 2016. As shown on Boswell Exhibit I,
11 Schedule 3-15, we updated PSNC's adjustment to regulatory fee to
12 reflect this change, resulting in a decrease of \$34,304.

13 **SALESFORCE LICENSE AMORTIZATION**

14 Q. PLEASE EXPLAIN THE ADJUSTMENT TO SALESFORCE
15 LICENSE AMORTIZATION EXPENSE.

16 A. Salesforce is a subscription-based cloud computing customer
17 relationship management tool that PSNC utilizes to streamline its
18 engagement with customers from initial contact through meter and/or
19 appliance installation. PSNC calculated its Salesforce License
20 Amortization expense adjustment based upon the remaining
21 amortization of the contract set-up, and implementation costs
22 through the contract's current March 31, 2017, expiration date.
23 PSNC has indicated that the contract will be extended. Boswell

1 Exhibit I reflects an adjustment to decrease O&M expenses by
2 \$37,385, to include an ongoing level for Salesforce of \$123,420, as
3 compared to the Company's \$160,805 amortization. The adjustment
4 is computed based upon current contract costs of \$370,260,
5 amortized over a 3-year contract period. Finally, the Salesforce
6 adjustment was included as part of the non-utility O&M expense
7 described above, because the Company also utilizes the system for
8 non-utility appliance installations.

9 **ADVERTISING**

10 Q. PLEASE SUMMARIZE THE RECOMMENDED ADJUSTMENT TO
11 ADVERTISING EXPENSE.

12 A. The Company proposed to include \$1,034,103 of advertising
13 expense in O&M expense in this proceeding. Based on Commission
14 Rule R12-13 and prior Commission orders, the Stipulating Parties
15 have agreed on an adjustment that reduces test year advertising
16 expenses by \$516,898 to exclude image, promotional, and
17 competitive advertising.

18 **CUSTOMER DEPOSITS AND THE RELATED**

19 **INTEREST EXPENSE**

20 Q. WHAT ADJUSTMENT HAS BEEN MADE TO CUSTOMER
21 DEPOSITS AND THE RELATED INTEREST EXPENSE?

22 A. PSNC reflected interest on customer deposits as a reclassification to
23 O&M expenses based on the 13-month average of customer

1 deposits for the period ending December 2015. Boswell Exhibit I
2 reflects an adjustment that updates both the amount of customer
3 deposits and interest on customer deposits to reflect the 13-month
4 average for the period ending June 30, 2016.

5 **SERVICE COMPANY CHARGES**

6 Q. PLEASE EXPLAIN THE ADJUSTMENT TO SERVICE COMPANY
7 CHARGES.

8 A. As shown on Boswell Exhibit I, Schedule 3-19, PSNC has proposed
9 an adjustment that increases O&M expenses for \$3,216,283 in
10 Service Company charges. An adjustment was made to remove
11 these unsupported 2016 SCANA Services budgeted amounts.

12 **GAS TECHNOLOGY INSTITUTE FUNDING**

13 Q. WHAT ADJUSTMENTS HAVE BEEN MADE TO GAS
14 TECHNOLOGY INSTITUTE FUNDING?

15 A. PSNC has proposed an adjustment that includes funding for the Gas
16 Technology Institute (GTI) as an O&M expense. GTI is a not-for-
17 profit research and development laboratory created to benefit natural
18 gas consumers and to support the gas industry. Member utilities are
19 able to direct research efforts and funding through GTI's Operations
20 Technology Development (OTD) program, as PSNC proposes. The
21 Company determined the ongoing expense level based on an
22 estimate of the number of meters as of December 31, 2016,
23 multiplied by \$0.50 per meter. Boswell Exhibit I reflects an update to

1 include the Company's actual number of meters at June 30, 2016.
2 This results in a decrease of \$6,369 to GTI charges, as shown on
3 Boswell Exhibit I, Schedule 3-20.

4 **FUEL COSTS**

5 Q. PLEASE EXPLAIN THE ADJUSTMENT TO FUEL COSTS.

6 A. The Company made an adjustment to the test period level of
7 gasoline and diesel fuel costs using a historical three-year average.
8 Boswell Exhibit I reflects an adjustment that utilizes a historical two-
9 year average, and excludes a year that included fuel prices at an all-
10 time record high price. The adjustment is a decrease of O&M
11 expenses of \$117,012, as shown on Boswell Exhibit I, Schedule 3-
12 21.

13 **LOBBYING EXPENSES**

14 Q. PLEASE DESCRIBE THE ADJUSTMENT TO LOBBYING
15 EXPENSES.

16 A. Stipulated O&M expenses have been adjusted to remove lobbying
17 costs incurred by the Company during the test year. The costs to be
18 removed were determined by applying the "but for" test for reporting
19 lobbying costs as used in a Formal Advisory Opinion of the State
20 Ethics Commission dated February 12, 2010, and recognizing that
21 lobbying includes not only employees' direct contact with legislators,
22 but also other activities that would not have been conducted but for
23 the lobbying itself. Applying this test resulted in the removal of a

1 portion of the payroll and related costs of the Economic Development
2 and Government Affairs Department of SCANA. The total amount of
3 the adjustment is to remove \$167,760 from the O&M expenses, as
4 shown on Boswell Exhibit I, Schedule 3-22.

5 **CHANGE IN RETENTION FACTOR**

6 Q. PLEASE EXPLAIN THE ADJUSTMENT TO THE RETENTION
7 FACTOR.

8 A. The stipulated calculations utilize the 0.014% regulatory fee, which
9 took effect on July 11, 2016, in my computation. PSNC utilized the
10 previously approved 0.148% regulatory fee in calculating the
11 retention factor.

12 **CASH WORKING CAPITAL EFFECT OF RATE INCREASE**

13 Q. PLEASE EXPLAIN THE ADJUSTMENT TO CASH WORKING
14 CAPITAL FOR THE PROPOSED INCREASE.

15 A. The CWC lead-lag effect of the proposed revenue increase as
16 recommended by the Public Staff has been calculated on Boswell
17 Exhibit I, Schedule 2-4. Boswell Exhibit I, Schedule 3A, reflects the
18 income tax effects related to the interest synchronization impact of
19 the Company's proposed rate increase, so as to properly separate
20 the effects of the CWC adjustment of the rate increase from the other
21 effects of the rate increase.

1 **EXCESS DEFERRED INCOME TAXES**

2 Q. PLEASE EXPLAIN THE ADJUSTMENT TO EXCESS DEFERRED
3 INCOME TAXES.

4 A. PSNC's filing originally proposed a refund of EDIT in the amount of
5 \$7.3 million over a one year to reflect the effect of a decrease in the
6 state income tax rate to 4%.

7 On August 4, 2016, the North Carolina Department of Revenue
8 issued a statement reflecting a decrease in the state income tax rate
9 from 4% to 3%, effective January 1, 2017.

10 PSNC and the Public Staff agree to work together to determine the
11 appropriate amounts to be refunded related to the change in state
12 income tax rate from 4% to 3%.

13 **TAXES ON CONTRIBUTIONS IN AID OF CONSTRUCTION**

14 Q. PLEASE EXPLAIN THE PUBLIC STAFF'S POSTION REGARDING
15 TAXES ON CONTRIBUTIONS IN AID OF CONSTRUCTION.

16 A. On September 3, 2013, the Commission issued an *Order on Motion*
17 *for Clarification* in Docket No. M-100, Sub 113A ("M-100, Sub 113A
18 Order"). The Public Staff has not completed its investigation
19 required by the M-100, Sub 113A Order. The Public Staff found that
20 PSNC is currently recording Contributions in Aid of Construction
21 above the line but proposes to file a report by the end of the 2016,

1 regarding the treatment of gross-up amounts for the 2008-2012 time
2 period consistent with the Commission's order..

3 Q. DOES THIS COMPLETE YOUR TESTIMONY?

4 A. Yes, it does.

MICHELLE M. BOSWELL

Qualifications and Experience

I graduated from North Carolina State University in 2000 with a Bachelor of Science degree in Accounting and I am a Certified Public Accountant.

I joined the Public Staff in September 2000. I have performed numerous audits and/or presented testimony and exhibits before the Commission addressing a wide range of electric, natural gas, and water topics. I have performed audits and/or presented testimony in Duke Energy's 2010 REPS Cost Recovery Rider; the 2008 REPS Compliance Reports for North Carolina Municipal Power Agency 1, North Carolina Eastern Municipal Power Agency, GreenCo Solutions, Inc., and EnergyUnited Electric Membership; four recent Piedmont rate cases; several Piedmont, NUI, and Toccoa annual gas cost reviews; Piedmont and NUI's merger; and Piedmont and NCNG's merger.

Additionally, I have filed testimony and exhibits in numerous water rate cases and performed investigations addressing a wide range of topics and issues related to the water, electric, and telephone industries.

Public Service Company of North Carolina
Docket No. G-5, Sub 565

RECONCILIATION OF GROSS REVENUE INCREASE REQUESTED BY THE COMPANY TO THE
PUBLIC STAFF AMOUNT
For The Test Year Ended December 31, 2015

Line No.	Item	Amount
1	Increase in revenue requirement requested by the Company	\$41,583,020
	Public Staff Adjustments:	
2	Change in equity ratio from 53.75% to 52.00%	(1,614,203)
3	Change in cost of long-term debt from 5.66% to 5.52%	(593,475)
4	Change in cost of short-term debt from 0.82% to 0.77%	(16,056)
5	Change in return on equity from 10.60% to 9.70%	(7,125,357)
6	Plant in Service Updates and Related Items at June 30, 2016	51,324
7	Working Capital Updates at June 30, 2016	(158,131)
8	Update gas in storage through June 2016	(563,311)
9	Update materials and supplies through June 2016	91,901
10	ADIT - updated to June 30, 2016	174,724
11	Adjust working capital for lead lag to reflect Public Staff adjustments	202,043
12	Adjustment to end of period revenue - weather, growth, and commodity costs	(1,457,266)
13	Adjustment to other operating revenues	(114,232)
14	Special Contract - remove PIS associated with facilities	(517,243)
15	Payroll and Related Expenses	(288,568)
16	Bonus accruals updated to actuals 6/30/16	(1,183,067)
17	Payroll Benefits Percentage - updated through June 30, 2016	(21,854)
18	Modify the allocation of incentive pay for certain executives to PSNC	(872,982)
19	Executive Compensation Adjustment	(280,405)
20	Remove retired executive compensation	(139,795)
21	Nonutility Adjustment - O&M expense	(262,228)
22	Nonutility Adjustment - effect of change in plant additions	(24,508)
23	Inflation Adjustment - removed certain expenses and updated rate to 2.2%	450,911
24	Rate Case Expenses - updated through June 30, 2016 w/ 5 yr amortization	(77,327)
25	Postage Adjustment - excluded growth since adjusted elsewhere & removed adv.	(145,282)
26	Uncollectibles - changes in revenue	(22,533)
27	Regulatory Fee - change for 0.148% to 0.14% per Commission Order	(34,439)
28	MGP Costs - update actual expenses @ 6/30/16 & acct for amortization	(1,970,392)
29	PIM Costs - update actual expenses @ 6/30/16, amortization	(1,015,672)
30	DIMP Costs - deferral	(1,096,208)
31	SalesForce Adjustment - ongoing level	(37,532)
32	Advertising - remove promotional, image, competitive, & non-recurring	(518,919)
33	Update Interest on Customer Deposits through June 2016	(11,382)
34	Service Company Charges - removed unsupported budgeted charges	(3,228,865)
35	Update GTI to June 2016 actual meters	(6,394)
36	Fuel Costs - adjust to test year fuel costs	(117,471)
37	Adjustment to remove lobbying expenses	(168,417)
38	Change in retention factor - regulatory fee changes	(3,332)
39	Adjust cash working capital for revenue impact of Public Staff adjustments	(155,565)
40	Rounding	43
41	Public Staff Adjustments	(22,871,463)
42	Recommended Change in Margin	\$18,711,557
43	Fixed Gas Cost Adjustment	643,643
44	LAUF Rate Change	22,742
45	Recommended Change In Revenue Requirement per Public Staff	\$19,377,942

Public Service Company of North Carolina
Docket No. G-5, Sub 565
SUPPORT FOR RECONCILIATION SCHEDULE
For The Test Year Ended December 31, 2015

Boswell Exhibit I
Schedule 1-1

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
<u>Plant in Service Updates and Related Items at June 30, 2016</u>		
1	Rate base	\$482,365 [1]
2	Income statement	<u>(431,041) [2]</u>
3	Total (L1 + L2)	<u><u>\$51,324</u></u>
<u>Nonutility Adjustment</u>		
4	Rate base	(\$21,147) [1]
5	Income statement	<u>(265,589) [2]</u>
6	Total (L4 + L5)	<u><u>(\$286,736)</u></u>
<u>Special Contract Adjustment</u>		
4	Rate base	(\$359,653) [1]
5	Income statement	<u>(157,590) [2]</u>
6	Total (L4 + L5)	<u><u>(\$517,243)</u></u>

[1] Boswell Exhibit I, Schedule 2.

[2] Boswell Exhibit I, Schedule 3.

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Boswell Exhibit I
Schedule 2

Public Service Company of North Carolina
Docket No. G-5, Sub 565
ORIGINAL COST RATE BASE
For The Test Year Ended December 31, 2015

Line No.	Item	Under Present Rates			After Public Staff Recommended Increase	
		Company Adjusted Per Company [1]	Public Staff Adjustments [2]	After Public Staff Adjustments [3]	Public Staff Adjustments [4]	After Public Staff Adjustments [5]
		(a)	(b)	(c)	(d)	(e)
1	Plant in service	\$1,854,943,639	(15,300,074)	\$1,839,643,565		\$1,839,643,565
2	Accumulated depreciation	(671,500,105)	14,359,017	(657,141,088)		(657,141,088)
3	Net plant in service (Sum of L1 thru L3)	1,183,443,534	(941,057)	1,182,502,477	0	1,182,502,477
4	Working Capital - Other	(1,885,912)	(5,931,372)	(7,817,284)		(7,817,284)
5	Working Capital - Lead Lag	10,009,617	1,903,594	11,913,211	\$1,809,033	\$13,722,244
6	Deferred Regulatory Assets		15,218,886	15,218,886		15,218,886
7	Deferred Income Taxes	(245,221,651)	3,544,195	(241,677,456)		(241,677,456)
8	Original cost rate base (Sum of L4 thru L7)	<u>\$946,345,589</u>	<u>\$13,794,246</u>	<u>\$960,139,834</u>	<u>\$1,809,033</u>	<u>\$961,948,867</u>

[1] Boone Exhibit 6, Column (5), as adjusted.

[2] Boswell Exhibit I, Schedule 2(a).

[3] Column (a) plus Column (b).

[4] Boswell Exhibit I, Schedule 2-4, Column (k), Line 50.

[5] Column (c) plus Column (d).

Public Service Company of North Carolina
Docket No. G-5, Sub 565
ADJUSTMENTS TO RATE BASE
For The Test Year Ended December 31, 2015

Line No.	Item	Update PIS & Acc Dep June 30, 2015 (a)	Update Gas In Storage June 30, 2015 (b)	Update Material & Supplies June 30, 2015 (c)	Update Nonutility June 30, 2015 (d)	Special Contracts (e)	ADIT Update (f)	Adjust Cash Working Capital (g)	Deferred PIR Asset (h)	Deferred DRIP Asset (i)	Deferred MCP Asset (j)	Adjust WC for Lead Lag (k)	Total Rate Base Adjustments (l)
1	Plant in service	(\$7,575,199)			(\$183,894)	(\$7,540,091)							(15,300,074)
2	Accumulated depreciation	72,113,925			(15,346)	2,254,493							14,339,017
3	Net plant in service (Sum of 1 thru 2)	4,344,726			(199,240)	(3,286,546)							(941,057)
4	Working Capital - Other												(941,057)
5	Working Capital - Lead Lag			\$895,868								1,903,594	945,566
6	Deferred Regulatory Asset												15,163,866
7	Deferred Income Taxes												3,544,885
8	Original cost rate base (Sum of 3 thru 6)	4,544,726	(5,307,372)	895,868	(199,240)	1,897,095	1,648,210	(1,489,859)	13,198,443	1,200,875	819,568	1,903,594	13,794,265
9	Revenue requirement impact	5,492,385	(5,563,311)	\$91,901	(521,147)	(3,559,650)	\$174,724	(5158,431)	\$1,400,948	\$177,458	\$58,987	\$202,043	\$1,464,095

[1] Boswell Exhibit I, Schedule 2-1.
[2] Boswell Exhibit I, Schedule 2-2, Column (d), Line 3.
[3] Boswell Exhibit I, Schedule 2-2, Column (d), Line 2.
[4] Boswell Exhibit I, Schedule 2-1(d), Line 31.
[5] Per Company response to accounting DR3-3.
[6] Boswell Exhibit I, Schedule 2-2, Column (e), Line 17.
[7] Per Company Response to DR45-3, updated to June 2018.
[8] Boswell Exhibit I, Schedule 2-2, Column (d), Line 17.
[9] Boswell Exhibit I, Schedule 2-3, Column (a), Line 22.
[10] Sum of Columns a through i.

Boswell Exhibit I
Schedule 2-1Public Service Company of North Carolina
Docket No. G-5, Sub 565
SUPPORT FOR UPDATED PLANT IN SERVICE
For The Test Year Ended December 31, 2015

Line No.	Item	Amount
	<u>Plant In Service:</u>	
1	North Carolina plant in service at June 30, 2016	\$1,847,368,440 [1]
2	Less adjusted plant in service per Company	<u>1,854,943,639 [2]</u>
3	Public Staff's adjustment to plant in service (L1 - L2)	<u>(\$7,575,199)</u>
	<u>Accumulated Depreciation:</u>	
4	North Carolina accumulated depreciation at June 30, 2016	(\$659,847,202) [3]
	End of period depreciation adjustment on June 30, 2008	
5	plant of Company proposed rates	<u>467,022</u>
6	Total accumulated depreciation at June 30, 2016 (L4 + L5)	(659,380,180)
7	Less accumulated depreciation per Company	<u>(671,500,105) [2]</u>
8	Public Staff's adjustment to accumulated depreciation (L6 - L7)	<u>12,119,925</u>
	<u>Depreciation Expense:</u>	
	<i>PSNC Direct Depreciation - Annualized as of June 30, 2016</i>	
9	Per Public Staff	54,277,172 [4]
10	Per Company	<u>\$54,744,194 [5]</u>
11	End of period depreciation adjustment - PSNC direct plant	<u>(\$467,022)</u>
	<i>SCANA Services Allocated Depreciation - Annualized as of June 30, 2016</i>	
12	Per Public Staff	\$1,913,690 [6]
13	Per Company	<u>\$1,752,537 [7]</u>
14	End of period depreciation adjustment - SCANA allocated plant	<u>\$161,153</u>
	<i>Total Depreciation Expense - Annualized as of June 30, 2016</i>	
15	Per Public Staff	\$56,190,862
16	Per Company	<u>\$56,496,731 [8]</u>
17	Public Staff's adjustment to depreciation expense (L12 - L13)	<u>(\$305,869)</u>
	<u>Property Taxes</u>	
18	Plant in Service at June 30, 2016	\$1,847,368,440 [1]
19	North Carolina tax rate	<u>\$0.00512 [9]</u>
20	Adjustment to property taxes for additions (L18 x L19 x L20)	\$9,450,952
21	Property Tax for additions per Company Application	<u>9,574,446 [10]</u>
22	Public Staff's adjustment to property taxes (L21 - L22)	<u>(\$123,494)</u>

[1] Boswell Exhibit I, Schedule 2-1(e), Column (c), Line 84.

[2] Boone Exhibit 6, Page 1, "After Adjustments" column.

[3] Boswell Exhibit I, Schedule 2-1(b), Line 83.

[4] Boswell Exhibit I, Schedule 2-1(a), Column (e), Line 84.

[5] Boone Exhibit 6, Page 1, "After Adjustments" column minus end of period depreciation for Seena Services, Workpaper 4D, p. 1.

[6] Boswell Exhibit I, Schedule 2-1(e), Column (e), Line 16.

[7] Item 4, Workpaper 4E, p.1.

[8] Boone Exhibit 6, P. 1, "After Adjustments" column.

[9] MFR, Item 4, Workpaper 5-A, Line 3.

[10] MFR, Item 4, Workpaper 5-A, Line 8.

Boswell Exhibit I
Schedule 2-2

Public Service Company of North Carolina
Docket No. G-5, Sub 565
ADJUSTMENT TO WORKING CAPITAL COMPONENTS
For The Test Year Ended December 31, 2015

Line No.	Item	Amount Per Company [1] (a)	Company Ratemaking Adjustments (b)	After Company Adjustments (c)	Public Staff Working Capital Adjustments (d)	Amount Per Public Staff [13] (f)
1	Lead Lag Study	\$10,012,305	2,993,183	\$13,005,488		
	<u>Average materials and supplies:</u>					
2	Operating and construction supplies	9,465,900		9,465,900	\$865,868 [2]	\$10,331,768
3	Natural gas stored	38,067,356		38,067,356	(5,307,372) [3]	\$32,759,984
4	Totals (L2 + L3)	47,533,256	0	47,533,256	(4,441,504)	43,091,752
	<u>Cash working capital:</u>					
5	Average Customer deposits	(8,295,675)		(8,295,675)	258,805 [5]	(8,036,870)
6	Average Accrued Interest on Customer Deposits	(185,385)		(185,385)	(64,354) [4]	(249,739)
7	Average Accrued Vacation Liability - PTO	(582,236)		(582,236)	(13,301) [10]	(595,537)
8	Average State Sales Tax	(712,278)		(712,278)	421,078 [11]	(291,200)
9	Average of Deferred Credit Treasury A Account	(324,842)		(324,842)	(40,943) [12]	(365,785)
10	Average prepayments	968,023	430,345	1,398,368	(266,648) [6]	1,131,720
11	Average deferred Salesforce Cloud License Fees	18,358		18,358	(18,358) [7]	0
12	Cost-Free Capital - Transco refunds	(258,000)		(258,000)		(258,000)
13	Cost-Free Capital - Postretirement Benefits	(24,423,034)	136,967	(24,286,067)	(486,195) [8]	(24,772,262)
14	Cost-Free Capital - Pension Accrual	(15,925,419)		(15,925,419)	(1,427,237) [9]	(17,352,656)
15	Cost-Free Capital - LT Disability	(265,991)		(265,991)	147,285	(118,706)
16	Totals cash working capital (Sum of L5 thru L15)	(49,986,479)	567,312	(49,419,167)	(1,489,868)	(50,909,035)
17	Total working capital (L1 + L4 + L16)	\$7,559,082	\$3,560,495	\$11,119,577	(\$5,931,372)	(\$7,817,283)

[1] Per Boone Exhibit 4.

[2] Boswell Exhibit I, Schedule 2-2(a).

[3] Boswell Exhibit I, Schedule 2-2(b).

[4] Boswell Exhibit I, Schedule 2-2(d).

[5] Boswell Exhibit I, Schedule 2-2(c).

[6] Boswell Exhibit I, Schedule 2-2(i).

[7] Boswell Exhibit I, Schedule 2-2(h).

[8] Boswell Exhibit I, Schedule 2-2(k).

[9] Boswell Exhibit I, Schedule 2-2(l).

[10] Boswell Exhibit I, Schedule 2-2(e).

[11] Boswell Exhibit I, Schedule 2-2(f).

[12] Boswell Exhibit I, Schedule 2-2(g).

[13] Sum of Column (a) through Column (c).

Public Service Company of North Carolina
Docket No. G-5, Sub 565
ADJUSTMENT TO WORKING CAPITAL COMPONENTS
For The Test Year Ended December 31, 2015

Line No.	Item	Per Books Amounts (a)	Company Retaining Adjustments (1) (b)	After Company Adjustments (2) (c)	Public Staff Adjustments (3) (d)	After Public Staff Adjustments (4) (e)	(Lead) / Lag Days (f)	Working Capital From Lead / Lag Study (7) (g)
INVESTOR SUPPLIED CASH WORKING CAPITAL (ITEM 26 SCHEDULE E A)								
1.	Operating Revenues	\$435,616,557	(\$8,763,654)	\$426,654,903	\$4,063,800	\$430,616,703		\$47,271,191
2.	Gas Sales and Transportation	3,413,176		3,413,176	113,788	3,526,964		366,903
3.	Other Operating Revenues	\$439,031,733	(\$8,763,654)	\$430,268,079	\$4,177,588	\$434,445,667	40.04	\$47,658,094
Operating Expenses:								
4.	Purchased gas	\$191,239,574	(14,121,829)	\$177,117,745	3,270,310	\$180,388,055	(35.65)	(\$17,616,724)
5.	Operating and maintenance	92,768,693	20,134,369	112,903,062	(12,668,355)	100,234,707	(37.23)	(8,232,601)
6.	Depreciation	49,622,105	6,874,628	56,496,731	(441,452)	56,055,279	0.00	0
7.	General Taxes	12,433,363	3,026,690	15,460,053	(171,956)	15,288,097	(107.41)	(4,498,889)
8.	Income taxes - current	1,827,686	(22,242,173)	(20,414,487)	5,545,243	(14,869,044)	(35.50)	1,446,167
9.	State income taxes - deferred - net	1,373,439	1,011,528	2,384,967	0	2,384,967	0.00	0
10.	Federal income taxes - deferred - net	23,670,197	11,254,193	34,924,390	0	34,924,390	0.00	0
11.	Amortization of ITC	0	0	0	0	0	0.00	0
12.	Total Operating Expenses	\$372,933,257	\$5,937,404	\$378,870,661	(\$4,383,210)	\$374,487,451		(\$29,904,337)
Net Operating Income for Return:								
13.	Interest on long-term debt	\$20,679,571	\$2,416,929	\$23,096,500	\$243,303	\$23,339,803	(91.25)	(\$5,834,951)
14.	Interest on short-term debt	220,556	41,432	262,290	(15,666)	246,624	(8.28)	(5,595)
15.	Income available for common equity	45,189,047	(17,159,419)	28,029,626	6,333,160	35,371,788	0.00	0
16.	Total Operating Income for Return	\$68,098,476	(\$14,701,058)	\$53,397,416	\$8,560,798	\$59,958,216		(\$5,840,546)
17.	Total Cost of Service	\$439,031,733	(\$8,763,654)	\$430,268,079	\$4,177,588	\$434,445,667		(\$35,744,883)
18.	Investor Supplied Funds							\$11,913,211
19.	Working capital from lead / lag study per Public Staff							\$11,913,211
20.	Amount per Company application							\$10,095,817
21.	Adjustment to working capital from lead / lag study							\$1,903,594
OPERATING & MAINTENANCE EXPENSES (ITEM 26 SCHEDULE D)								
22.	Payroll (PSNC)	\$26,660,619	\$2,257,200	\$30,917,819	(\$347,368)	\$30,570,451	(11.77)	(\$95,792)
23.	Payroll (Services Co.)	9,974,419	294,165	10,268,584	(3,216,283)	7,052,301	(8.89)	(171,767)
24.	Other O&M (AP invoices)	22,796,620	13,740,096	36,536,716	(6,432,263)	30,094,453	(31.53)	(2,556,602)
25.	Transportation Clearing (O&M)	3,873,074	639,235	4,512,309	0	4,512,309	8.89	107,430
26.	Uncollectible Accounts	460,987	196,602	657,589	(22,445)	635,144	(197.73)	(344,074)
27.	Insurance	8,473,500	197,495	8,670,995	0	8,670,995	22.58	412,688
28.	Pension	1,743,607	380,477	2,124,084	0	2,124,084	0.00	0
29.	Post Retirement	1,893,205	(138,967)	1,754,238	0	1,754,238	0.00	0
30.	401K Plan	2,666,289	166,594	2,832,883	(21,770)	2,811,113	(14.74)	(114,331)
31.	Regulatory Fees	600,691	(25,492)	575,199	0	575,199	(79.01)	(137,501)
32.	Rents	2,033,434	0	2,033,434	0	2,033,434	5.08	28,301
33.	Materials & Supplies	1,706,045	0	1,706,045	0	1,706,045	(16.05)	(64,367)
34.	Postage	2,104,270	(32,366)	2,071,904	(144,717)	1,927,187	14.57	76,929
35.	Incentive Pay	7,749,923	2,437,300	10,187,223	(2,388,199)	7,801,024	(253.67)	(\$4,421,605)
36.	Totals	\$92,768,693	\$20,134,369	\$112,903,062	(\$12,591,045)	\$100,312,017		(\$9,232,601)
INSURANCE (ITEM 26 SCHEDULE D-6)								
37.	Life, AD&D & Cobra	\$314,751		\$314,751	\$0	\$314,751	(7.88)	(\$6,795)
Self Insured Items:								
38.	Health/Dental Insurance*	4,001,570		4,001,570	0	4,001,570	(5.50)	(60,295)
39.	Long-Term Disability Insurance	518,749	197,495	716,244	0	716,244	14.71	28,668
Short-Term Disability Insurance:								
40.	Salary	149,272		149,272	0	149,272	(6.46)	(2,642)
41.	Hourly	202,785		202,785	0	202,785	(13.48)	(7,478)
42.	Property & Liability Insurance	1,110,071		1,110,071	0	1,110,071	172.37	524,227
43.	Small Claims	183,233		183,233	0	183,233	(138.81)	(69,684)
44.	Worker's Compensation	(6,931)		(6,931)	0	(6,931)	(340.58)	6,467
45.	Totals	\$6,473,500	\$197,495	\$6,670,995	\$0	\$6,670,995		\$412,663
OTHER TAXES (ITEM 26 SCHEDULE E)								
46.	City Occupation	\$43,166		\$43,166	\$0	\$43,166	169.97	\$22,476
47.	AD Valorem (City & County taxes)	6,973,838	1,221,955	8,195,793	(151,480)	8,044,313	(145.00)	(3,990,207)
48.	Utility Sales Tax	21,319		21,319	0	21,319	(4.79)	(260)
49.	Employer FICA & Medicare	3,255,656	195,691	3,451,347	(20,476)	3,430,871	(3.22)	(30,620)
50.	Unemployment Tax	69,382		69,382	0	69,382	(62.24)	(16,043)
51.	Subtotal	\$12,433,363	\$1,417,646	\$13,851,009	(\$171,956)	\$13,679,053		(\$4,015,572)
52.	Franchise Tax	0	1,609,044	1,609,044	0	1,609,044	0.00	0
53.	Total Cost of Service Other Taxes	\$12,433,363	\$3,026,690	\$15,460,053	(\$171,956)	\$15,288,097		(\$4,015,572)

(1) G-1, Item 26, Schedule A, page 3 and Schedule A, page 4, 12-months ended 12/31/15 column.

(2) G-1, Item 26, Schedule A, page 4, Adjustments column.

(3) G-1, Item 26, Schedule A, page 2 and Schedules A, page 4, After Adjustments column.

(4) Boswell Exhibit I, Schedule 2-3(a), Column aa.

(5) Column c plus Column d.

(6) G-1, Item 26, Schedule A, page 2.

(7) Column e divided by 365 times column f.

Public Service Company of North Carolina
Docket No. G-5, Sub 565
ADJUSTMENT TO WORKING CAPITAL COMPONENTS
For The Test Year Ended December 31, 2015

Line No.	Item	Updates Plant In Service (a)	Gas Costs (b)	End of period Revenue Adjustment (c)	LAUF Adjustment (d)	Adjust Uncollectibles (e)
1.	Operating Revenues					
2.	Gas Sales and Transportation		\$0	\$4,063,800		
3.	Other Operating Revenues					
	Total Operating Revenues	0	0	4,063,800	0	0
	Operating Expenses:					
4.	Purchased gas		641,134	2,606,522	22,654	
5.	Operating and maintenance			5,689		(22,445)
6.	Depreciation	(305,869)				
7.	General Taxes	(123,494)				
8.	Income taxes - current	161,441	(241,066)	545,798	(8,518)	8,439
9.	State Income taxes - deferred - net					
10.	Federal Income taxes - deferred - net					
11.	Amortization of ITC					
12.	Total Operating Expenses	(267,922)	400,068	3,158,009	14,136	(14,006)
	Net Operating Income for Return:					
13.	Interest on long-term debt					
14.	Interest on short-term debt					
15.	Income available for common equity	267,922	(400,068)	905,791	(14,136)	14,006
16.	Total Operating Income for Return	267,922	(400,068)	905,791	(14,136)	14,006
18.	Total Cost of Service	0	0	4,063,800	0	0

OPERATING & MAINTENANCE EXPENSES (ITEM 26 SCHEDULE D)

19.	Payroll (PSNC)					
20.	Payroll (Services Co.)					
21.	Other O&M (A/P Invoices)					
22.	Transportation Clearing (O&M)					
23.	Uncollectible Accounts					(22,445)
24.	Insurance					
25.	Pension					
26.	Post Retirement					
27.	401K Plan					
28.	Regulatory Fees					
29.	Rents					
30.	Materials & Supplies					
31.	Postage					
32.	Incentive Pay					
33.	Totals	0	0	0	0	(22,445)

INSURANCE (ITEM 28 SCHEDULE D-5)

34.	Life, AD&D & Cobra					
	Self Insured Items:					
35.	Health/Dental Insurance*					
36.	Long-Term Disability Insurance					
	Short-Term Disability Insurance:					
37.	Salary					
38.	Hourly					
38.	Property & Liability Insurance					
40.	Small Claims					
41.	Worker's Compensation					
42.	Totals	0	0	0	0	0

OTHER TAXES (ITEM 28 SCHEDULE E)

43.	City Occupation					
44.	AD Valorem (City & County taxes)	(123,494)				
45.	Utility Sales Tax					
46.	Employer FICA & Medicare					
47.	Unemployment Tax					
48.	Subtotal	(123,494)	0	0	0	0
49.	Franchise Tax					
50.	Total Cost of Service Other Taxes	(123,494)	0	0	0	0

[1] Corresponding column on Schedule 3.
[2] Sum of Columns a through cc.

Public Service Company of North Carolina
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ADJUSTMENT TO WORKING CAPITAL COMPONENTS
For The Test Year Ended December 31, 2015

Line No.	Item	Adjust MGP (f)	Adjust Executive Comp (g)	Adjust Regulatory Fee (h)	Adjust SalesForce (i)	Adjust Postage (j)
	Operating Revenues					
1.	Gas Sales and Transportation					
2.	Other Operating Revenues					
3.	Total Operating Revenues	0	0	0	0	0
	Operating Expenses:					
4.	Purchased gas					
5.	Operating and maintenance	(2,049,363)	(279,312)	(34,304)	(37,385)	(144,717)
6.	Depreciation					
7.	General Taxes					
8.	Income taxes - current	770,561	431,983	12,898	14,056	54,414
9.	State income taxes - deferred - net					
10.	Federal income taxes - deferred - net					
11.	Amortization of ITC					
12.	Total Operating Expenses	(1,278,802)	152,671	(21,406)	(23,329)	(90,303)
	Net Operating Income for Return:					
13.	Interest on long-term debt					
14.	Interest on short-term debt					
15.	Income available for common equity	1,278,802	(152,671)	21,406	23,329	90,303
16.	Total Operating Income for Return	1,278,802	(152,671)	\$21,406	23,329	90,303
18.	Total Cost of Service	0	0	0	0	0
OPERATING & MAINTENANCE EXPENSES (ITEM 26 SCHEDULE D)						
19.	Payroll (PSNC)		(70,369)			
20.	Payroll (Services Co.)					
21.	Other O&M (AP invoices)					
22.	Transportation Clearing (O&M)	(\$2,049,363)		(34,304)	(37,385)	
23.	Uncollectible Accounts					
24.	Insurance					
25.	Pension					
26.	Post Retirement					
27.	401K Plan					
28.	Regulatory Fees					
29.	Rents					
30.	Materials & Supplies					
31.	Postage					(144,717)
32.	Incentive Pay					
33.	Totals	(2,049,363)	(279,312)	(34,304)	(37,385)	(144,717)
INSURANCE (ITEM 26 SCHEDULE D-5)						
34.	Life, AD&D & Cobra					
	Self Insured items:					
35.	Health/Dental Insurance*					
36.	Long-Term Disability Insurance					
	Short-Term Disability Insurance:					
37.	Salary					
38.	Hourly					
39.	Property & Liability Insurance					
40.	Small Claims					
41.	Worker's Compensation					
42.	Totals	0	0	0	0	0
OTHER TAXES (ITEM 26 SCHEDULE E)						
43.	City Occupation					
44.	AD Valorem (City & County taxes)					
45.	Utility Sales Tax					
46.	Employer FICA & Medicare					
47.	Unemployment Tax					
48.	Subtotal	0	0	0	0	0
49.	Franchise Tax					
50.	Total Cost of Service Other Taxes	0	0	0	0	0

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Public Service Company of North Carolina
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Line No.	Item	Adjust PIM (k) [1]	Adjust Payroll (l) [1]	Adjust Interest on Customer Deposits (m) [1]	Adjust Rate Case Expense (n) [1]	Adjust Inflation (o) [1]
Operating Revenues						
1.	Gas Sales and Transportation					
2.	Other Operating Revenues					
3.	Total Operating Revenues	0	0	0	0	0
Operating Expenses:						
4.	Purchased gas					
5.	Operating and maintenance	(2,407,104)	(266,967)	(11,337)	(77,026)	449,153
6.	Depreciation					
7.	General Taxes		(20,476)			
8.	Income taxes - current	905,071	108,079	4,262	28,962	(168,881)
9.	State income taxes - deferred - net					
10.	Federal income taxes - deferred - net					
11.	Amortization of ITC					
12.	Total Operating Expenses	(1,502,033)	(179,365)	(7,075)	(48,064)	280,272
Net Operating Income for Return:						
13.	Interest on long-term debt					
14.	Interest on short-term debt					
15.	Income available for common equity	1,502,033	179,365	7,075	48,064	(280,272)
18.	Total Operating Income for Return	1,502,033	179,365	7,075	48,064	(280,272)
18.	Total Cost of Service	0	0	0	0	0
OPERATING & MAINTENANCE EXPENSES (ITEM 28 SCHEDULE D)						
19.	Payroll (PSNC)		(266,967)			
20.	Payroll (Services Co.)					
21.	Other O&M (A/P Invoices)	(2,407,104)		(11,337)	(77,026)	449,153
22.	Transportation Clearing (O&M)					
23.	Uncollectible Accounts					
24.	Insurance					
25.	Pension					
26.	Post Retirement					
27.	401K Plan					
28.	Regulatory Fees					
29.	Rents					
30.	Materials & Supplies					
31.	Postage					
32.	Incentive Pay					
33.	Totals	(2,407,104)	(266,967)	(11,337)	(77,026)	449,153
INSURANCE (ITEM 28 SCHEDULE D-5)						
34.	Life, AD&D & Cobra					
Self Insured Items:						
35.	Health/Dental Insurance*					
36.	Long-Term Disability Insurance					
Short-Term Disability Insurance:						
37.	Salary					
38.	Hourly					
39.	Property & Liability Insurance					
40.	Small Claims					
41.	Worker's Compensation					
42.	Totals	0	0	0	0	0
OTHER TAXES (ITEM 28 SCHEDULE E)						
43.	City Occupation					
44.	AD Valorem (City & County taxes)					
45.	Utility Sales Tax					
46.	Employer FICA & Medicare		(20,476)			
47.	Unemployment Tax					
48.	Subtotal	0	(20,476)	0	0	0
49.	Franchise Tax					
50.	Total Cost of Service Other Taxes	0	(20,476)	0	0	0

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Line No.	Item	Adjust Advertising (p)	Adjust Service Co. Charges (q)	Adjust Other Benefit Percentage (r)	Adjust Special Contracts (s)	Adjust GTI Charges (t)
	Operating Revenues					
1.	Gas Sales and Transportation					
2.	Other Operating Revenues					
3.	Total Operating Revenues	0	0	0	0	0
	Operating Expenses:					
4.	Purchased gas					
5.	Operating and maintenance	(516,898)	(3,216,283)	(21,770)		(6,369)
6.	Depreciation				(129,931)	
7.	General Taxes				(27,045)	
8.	Income taxes - current	194,354	1,209,322	8,186	59,023	2,395
9.	State income taxes - deferred - net					
10.	Federal income taxes - deferred - net					
11.	Amortization of ITC					
12.	Total Operating Expenses	(322,544)	(2,006,961)	(13,584)	(97,953)	(3,974)
	Net Operating Income for Return:					
13.	Interest on long-term debt					
14.	Interest on short-term debt					
15.	Income available for common equity	322,544	2,006,961	13,584	97,953	3,974
16.	Total Operating Income for Return	322,544	2,006,961	13,584	97,953	3,974
18.	Total Cost of Service	0	0	0	0	0
OPERATING & MAINTENANCE EXPENSES (ITEM 26 SCHEDULE D)						
19.	Payroll (PSNC)					
20.	Payroll (Services Co.)		(3,216,283)			
21.	Other O&M (AP Invoices)	(516,898)				(6,369)
22.	Transportation Clearing (O&M)					
23.	Uncollectible Accounts					
24.	Insurance					
25.	Pension					
26.	Post Retirement					
27.	401K Plan			(21,770)		
28.	Regulatory Fees					
29.	Rents					
30.	Materials & Supplies					
31.	Postage					
32.	Incentive Pay					
33.	Totals	(516,898)	(3,216,283)	(21,770)	0	(6,369)
INSURANCE (ITEM 26 SCHEDULE D-5)						
34.	Life, AD&D & Cobra					
	Self Insured items:					
35.	Health/Dental Insurance*					
36.	Long-Term Disability Insurance					
	Short-Term Disability Insurance:					
37.	Salary					
38.	Hourly					
39.	Property & Liability Insurance					
40.	Small Claims					
41.	Worker's Compensation					
42.	Totals	0	0	0	0	0
OTHER TAXES (ITEM 26 SCHEDULE E)						
43.	City Occupation					
44.	AD Valorem (City & County taxes)				(27,045)	
45.	Utility Sales Tax					
46.	Employer FICA & Medicare					
47.	Unemployment Tax					
48.	Subtotal	0	0	0	(27,045)	0
49.	Franchise Tax					
50.	Total Cost of Service Other Taxes	0	0	0	(27,045)	0

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Line No.	Item	Adjust Other Operating Income (u)	Adjust Fuel Costs (v)	Adjust DIMP (w)	Adjust for Retirement Compensation (x)	Adjust for Lobbying Exp. (y)
1.	Operating Revenues					
2.	Gas Sales and Transportation					
3.	Other Operating Revenues	113,789				
	Total Operating Revenues	113,789	0	0	0	0
	Operating Expenses:					
4.	Purchased gas					
5.	Operating and maintenance		(117,012)	(1,219,897)	(139,250)	(167,760)
6.	Depreciation					
7.	General Taxes					
8.	Income taxes - current	42,785	43,996	458,305	52,358	63,078
9.	State income taxes - deferred - net					
10.	Federal income taxes - deferred - net					
11.	Amortization of ITC					
12.	Total Operating Expenses	42,785	(73,016)	(760,592)	(86,892)	(104,682)
	Net Operating Income for Return:					
13.	Interest on long-term debt					
14.	Interest on short-term debt					
15.	Income available for common equity	71,003	73,016	760,592	86,892	104,682
16.	Total Operating Income for Return	71,003	73,016	760,592	86,892	104,682
18.	Total Cost of Service	113,789	0	0	0	0
	OPERATING & MAINTENANCE EXPENSES (ITEM 28 SCHEDULE D)					
19.	Payroll (PSNC)				(10,032)	
20.	Payroll (Services Co.)					
21.	Other O&M (A/P Invoices)		(117,012)	(1,219,897)		(167,760)
22.	Transportation Clearing (O&M)					
23.	Uncollectible Accounts					
24.	Insurance					
25.	Pension					
26.	Post Retirement					
27.	401K Plan					
28.	Regulatory Fees					
29.	Rents					
30.	Materials & Supplies					
31.	Postage					
32.	Incentive Pay					
33.	Totals	0	(117,012)	(1,219,897)	(139,250)	(167,760)
	INSURANCE (ITEM 28 SCHEDULE D-5)					
34.	Life, AD&D & Cobra					
	Self Insured Items:					
35.	Health/Dental Insurance*					
36.	Long-Term Disability Insurance					
	Short-Term Disability Insurance:					
37.	Salary					
38.	Hourly					
39.	Property & Liability Insurance					
40.	Small Claims					
41.	Worker's Compensation					
42.	Totals	0	0	0	0	0
	OTHER TAXES (ITEM 28 SCHEDULE E)					
43.	City Occupation					
44.	AD Valorem (City & County taxes)					
45.	Utility Sales Tax					
46.	Employer FICA & Medicare					
47.	Unemployment Tax					
48.	Subtotal	0	0	0	0	0
49.	Franchise Tax					
50.	Total Cost of Service Other Taxes	0	0	0	0	0

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Line No.	Item	Adjust Non-utility (z)	Update Bonus (ao)	Adjust Sr Staff Bonus Pay (bb)	Interest Synchronization (cc)	Total Public Staff Adjustments (dd) [2]
1.	Operating Revenues					4,063,800
2.	Gas Sales and Transportation					113,788
3.	Other Operating Revenues					4,177,588
	Total Operating Revenues	0	0	0	0	4,177,588
	Operating Expenses:					
4.	Purchased gas					3,270,310
5.	Operating and maintenance	(257,961)	(1,178,457)	(869,580)		(12,585,355)
6.	Depreciation	(5,652)				(441,452)
7.	General Taxes	(941)				(171,956)
8.	Income taxes - current	99,472	443,100	326,952	(85,592)	5,545,243
9.	State income taxes - deferred - net					0
10.	Federal income taxes - deferred - net					0
11.	Amortization of ITC					0
	Total Operating Expenses	(165,082)	(735,357)	(542,618)	(85,592)	(4,383,210)
	Net Operating Income for Return:					
13.	Interest on long-term debt				243,303	243,303
14.	Interest on short-term debt				(15,666)	(15,666)
15.	Income available for common equity	165,082	735,357	542,618	(142,046)	8,333,160
	Total Operating Income for Return	165,082	735,357	542,618	85,592	8,560,798
18.	Total Cost of Service	0	0	0	0	4,177,588
OPERATING & MAINTENANCE EXPENSES (ITEM 26 SCHEDULE D)						
19.	Payroll (PSNC)					(347,368)
20.	Payroll (Services Co.)					(3,216,283)
21.	Other O&M (A/P Invoices)					(6,452,263)
22.	Transportation Clearing (O&M)	(257,961)				0
23.	Uncollectible Accounts					(22,445)
24.	Insurance					0
25.	Pension					0
26.	Post Retirement					0
27.	401K Plan					(21,770)
28.	Regulatory Fees					0
29.	Rents					0
30.	Materials & Supplies					0
31.	Postage					(144,717)
32.	Incentive Pay					(2,386,199)
33.	Totals	(257,961)	(1,178,457)	(869,580)	0	(12,591,045)
INSURANCE (ITEM 26 SCHEDULE D-5)						
34.	Life, AD&D & Cobra					0
	Self Insured Items:					
35.	Health/Dental Insurance*					0
36.	Long-Term Disability Insurance					0
	Short-Term Disability Insurance:					
37.	Salary					0
38.	Hourly					0
39.	Property & Liability Insurance					0
40.	Small Claims					0
41.	Worker's Compensation					0
42.	Totals	0	0	0	0	0
OTHER TAXES (ITEM 26 SCHEDULE E)						
43.	City Occupation					0
44.	AD Valorem (City & County taxes)	(941)				(151,480)
45.	Utility Sales Tax					0
46.	Employer FICA & Medicare					(20,476)
47.	Unemployment Tax					0
48.	Subtotal	(941)	0	0	0	(171,956)
49.	Franchise Tax					0
50.	Total Cost of Service Other Taxes	(941)	0	0	0	(171,956)

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ADJUSTMENT TO COMPANY FILED COST OF SERVICE
For The Test Year Ended December 31, 2015

Line No.	Description	Company Before Increase	Interest Synch on CWC Increase [1]	Company Without Rate Increase [3]	Company Without Rate Increase New Tax
	<u>Operating Revenues:</u>				
1.	Sale and transportation of gas	\$426,062,649		\$426,062,649	\$426,062,649
2.	Special Contract Revenues	792,254		792,254	792,254
3.	Other operating revenues	3,413,176		3,413,176	3,413,176
4.	Total operating revenues (Sum of L1 thru L3)	430,268,079	0	430,268,079	430,268,079
5.	Cost of gas	177,117,745	0 [2]	177,117,745	177,117,745
6.	Margin (L4 - L5)	253,150,334	0	253,150,334	253,150,334
7.	Operation and maintenance	112,901,063	0 [2]	112,901,063	112,901,063
8.	Depreciation	56,496,731		56,496,731	56,496,731
9.	General taxes	15,460,053		15,460,053	15,460,053
10.	State income taxes	1,794,393	2,958 [2]	1,797,351	1,348,011
11.	Federal income taxes	15,072,898	24,846 [2]	15,097,744	15,254,990
12.	Amortization of investment tax credits			0	0
13.	Amortization of EDIT			0	0
14.	Total operating expenses (Sum of L7 thru L13)	201,725,138	27,804	201,752,942	201,460,848
15.	Net operating income	51,425,196	(27,804)	51,397,392	51,689,486
16.	Interest on customer deposits			0	0
17.	Net operating income for return (L6 less L14)	\$51,425,196	(\$27,804)	\$51,397,392	\$51,689,486

[1] Boone Exhibit 6, Page 1 of 5, "After Adjustments" column.

[2] Interest synchronization effect of increase in CWC due to rate increase

[3] Column (a) plus Column (b).

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NET OPERATING INCOME FOR RETURN
For The Test Year Ended December 31, 2015

Boswell Exhibit I
Schedule 3
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Line No.	Item	Per Company (a)	Plant Updates @ June 30, 2016 (b)	Other Operating Revenue Adjustment (c)	End of period Revenue Adjustment (d)	LAUF (e)	Gas Cost (f)	Special Contacts (g)
		[1]	[2]	[3]	[3]	[3]	[3]	[4]
	<u>Operating Revenues:</u>							
1	Sales and transportation of gas	\$426,062,649			\$4,063,800			
2	Special Contract Revenues	792,254						
3	Other operating revenues	3,413,176		113,788				
4	Total operating revenues (L1 - L3)	430,268,079	0	113,788	4,063,800	0	0	0
5	Cost of gas	177,117,745			2,606,522	22,654	641,134	
6	Margin (L4 - L5)	253,150,334	0	113,788	1,457,278	(22,654)	(641,134)	0
	<u>Operating Expenses:</u>							
7	Operating and maintenance	112,901,063			5,689			
8	Depreciation	56,496,731	(305,869)					(129,931)
9	General taxes	15,460,053	(123,494)					(27,045)
10	State income tax (3%)	1,797,351	17,175	4,552	58,064	(906)	(25,645)	6,279
11	Federal income tax (35%)	15,097,744	144,266	38,233	487,734	(7,612)	(215,421)	52,744
12	Amortization of investment tax credits	0						
13	Amortization of EDIT	0						
14	Total operating expenses (Sum of L4 thru L10)	201,752,942	(267,922)	42,785	551,487	(8,518)	(241,066)	(97,953)
15	Interest on customer deposits	-						
16	Net operating income for return (L3 - L12+L11+L12)	\$51,397,392	\$267,922	\$71,003	\$905,791	(\$14,136)	(\$400,068)	\$97,953
	Revenue Requirement Effect		\$431,041	\$114,232	\$1,457,266	(\$22,742)	(\$643,643)	\$157,590

- [1] Boswell Exhibit I, Schedule 3(a).
[2] Boswell Exhibit I, Schedule 2-1.
[3] Boswell Exhibit I, Schedule 3(b).
[4] Per Company response to accounting DR3-3.
[5] Boswell Exhibit I, Schedule 3-1.
[6] Boswell Exhibit I, Schedule 3-2.
[7] Boswell Exhibit I, Schedule 3-3.
[8] Boswell Exhibit I, Schedule 3-4.

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NET OPERATING INCOME FOR RETURN
For The Test Year Ended December 31, 2015

Boswell Exhibit I
Schedule 3
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Line No.	Item	Payroll and Related Costs [5] (h)	Bonus [6] (i)	Other Benefits [7] (j)	Allocation of Senior Staff Bonus Pay [8] (k)	Executive Compensation [9] (l)	Retirement Compensation [10] (m)	Rate Case Expenses [11] (n)	Postage Adjustment [12] (o)	Uncollectibles [13] (p)
Operating Revenues:										
1	Sales and transportation of gas									
2	Special Contract Revenues									
3	Other operating revenues	0								
4	Total operating revenues (L1 - L3)	0	0	0	0	0	0	0	0	0
5	Cost of gas									
6	Margin (L4 - L5)	0	0	0	0	0	0	0	0	0
Operating Expenses:										
7	Operating and maintenance	(266,967)	(1,178,457)	(21,770)	(669,580)	(279,312)	(139,250)	(77,026)	(144,717)	(22,445)
8	Depreciation									
9	General taxes	(20,476)	0		0					
10	State income tax (3%)	11,498	47,138	871	34,783	11,172	5,570	3,081	5,789	898
11	Federal income tax (35%)	96,581	395,962	7,315	292,179	93,849	46,788	25,881	48,625	7,541
12	Amortization of investment tax credits									
13	Amortization of EDIT									
14	Total operating expenses (Sum of L4 thru L10)	(179,365)	(735,357)	(13,584)	(542,618)	(174,291)	(86,892)	(48,064)	(90,303)	(14,006)
15	Interest on customer deposits									
16	Net operating income for return (L3 - L12+L11+L12)	\$179,365	\$735,357	\$13,584	\$542,618	\$174,291	\$86,892	\$48,064	\$90,303	\$14,006
Revenue Requirement Effect										
		\$288,568	\$1,183,067	\$21,854	\$872,982	\$280,405	\$139,795	\$77,327	\$145,282	\$22,533

[9] Boswell Exhibit I, Schedule 3-5
[10] Boswell Exhibit I, Schedule 3-6.
[11] Boswell Exhibit I, Schedule 3-7.
[12] Boswell Exhibit I, Schedule 3-8.
[13] Boswell Exhibit I, Schedule 3-9.
[14] Boswell Exhibit I, Schedule 3-10.
[15] Boswell Exhibit I, Schedule 3-11.

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NET OPERATING INCOME FOR RETURN
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Boswell Exhibit I
Schedule 3
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Line No.	Item	Inflation [14]	Nonutility Expenses [15]	PIM Costs [16]	Manufactured Gas Plant Costs [17]	DIMP Costs [18]	Regulatory Fee [19]	Advertising [20]	SalesForce Amortization [21]
		(q)	(r)	(s)	(t)	(u)	(v)	(w)	(x)
<u>Operating Revenues:</u>									
1	Sales and transportation of gas								
2	Special Contract Revenues								
3	Other operating revenues								
4	Total operating revenues (L1 - L3)	0	0	0	0	0	0	0	0
5	Cost of gas								
6	Margin (L4 - L5)	0	0	0	0	0	0	0	0
<u>Operating Expenses:</u>									
7	Operating and maintenance	449,153	(257,961)	(2,407,104)	(2,049,363)	(1,218,897)	(34,304)	(516,898)	(37,385)
8	Depreciation		(5,652)						
9	General taxes		(941)						
10	State income tax (3%)	(17,966)	10,582	96,284	81,975	48,756	1,372	20,676	1,495
11	Federal income tax (35%)	(150,915)	88,890	808,787	688,586	409,549	11,526	173,678	12,561
12	Amortization of investment tax credits								
13	Amortization of EDIT								
14	Total operating expenses (Sum of L4 thru L10)	280,272	(165,082)	(1,502,033)	(1,278,802)	(760,592)	(21,406)	(322,544)	(23,329)
15	Interest on customer deposits								
16	Net operating income for return (L3 - L12+L11+L12)	(\$280,272)	\$165,082	\$1,502,033	\$1,278,802	\$760,592	\$21,406	\$322,544	\$23,329
Revenue Requirement Effect									
		(\$450,911)	\$265,589	\$2,416,520	\$2,057,379	\$1,223,666	\$34,439	\$518,919	\$37,532

[16] Boswell Exhibit I, Schedule 3-12.
[17] Boswell Exhibit I, Schedule 3-13.
[18] Boswell Exhibit I, Schedule 3-14.
[19] Boswell Exhibit I, Schedule 3-15.
[20] Boswell Exhibit I, Schedule 3-16.
[21] Boswell Exhibit I, Schedule 3-17.
[22] Boswell Exhibit I, Schedule 3-18.

Public Service Company of North Carolina
Docket No. G-5, Sub 565
NET OPERATING INCOME FOR RETURN
For The Test Year Ended December 31, 2015

Boswell Exhibit I
Schedule 3
Page 4 of 4

Line No.	Item	Interest on Customer Deposits [22] (y)	Service Company Charges [23] (z)	GTI [24] (aa)	Fuel Costs [25] (bb)	Lobbying Expense [26] (cc)	Interest Synchronization [27] (dd)	After Public Staff Adjustments [28] (ee)
<u>Operating Revenues:</u>								
1	Sales and transportation of gas							\$430,126,449
2	Special Contract Revenues							792,254
3	Other operating revenues							3,526,964
4	Total operating revenues (L1 - L3)	0	0	0	0	0	0	434,445,667
5	Cost of gas							180,388,055
6	Margin (L4 - L5)	0					0	254,057,612
<u>Operating Expenses:</u>								
7	Operating and maintenance	(11,337)	(3,216,283)	(6,369)	(117,012)	(167,760)		100,315,708
8	Depreciation							56,055,279
9	General taxes							15,288,097
10	State income tax (3%)	453	128,651	255	4,680	6,710	(21,583)	2,340,010
11	Federal income tax (35%)	3,809	1,080,671	2,140	39,316	56,368	(181,296)	19,656,079
12	Amortization of investment tax credits							-
13	Amortization of EDIT							-
14	Total operating expenses (Sum of L4 thru L10)	(7,075)	(2,006,961)	(3,974)	(73,016)	(104,682)	(202,879)	193,655,173
15	Interest on customer deposits							-
16	Net operating income for return (L3 - L12+L11+L12)	\$7,075	\$2,006,961	\$3,974	\$73,016	\$104,682	\$202,879	\$60,402,439
Revenue Requirement Effect								
		\$11,382	\$3,228,865	\$6,394	\$117,471	\$168,417	\$326,398	

[23] Boswell Exhibit I, Schedule 3-19.
[24] Boswell Exhibit I, Schedule 3-20.
[25] Boswell Exhibit I, Schedule 3-21.
[26] Boswell Exhibit I, Schedule 3-22.
[27] Boswell Exhibit I, Schedule 3-23.
[28] Sum of columns (a) through (cc).

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Aug 18 2016

Public Service Company of North Carolina
Docket No. G-5, Sub 565
**SUMMARY OF REVENUE AND
COST OF GAS ADJUSTMENTS**
For The Test Year Ended December 31, 2015

Line No.	Item	Sales and Transportation Revenues (a)	Special Contract Revenues (b)	Other Operating Revenues (c)	Cost of Gas (d)	Regulatory Fee (g)	[6]
1	Company amount per application	\$426,062,649 [1]	\$792,254 [1]	\$3,413,176 [1]	\$177,117,745 [1]		
2	Operating Revenues EOP - Public Staff Volumes	4,063,800 [2]			2,606,522 [3]	5,689	
3	On-going level of cost of gas - fixed gas costs				641,134 [4]		
4	Lost & Unaccounted For change				22,654 [5]		
5	Adjustment to other operating revenues			113,788 [5]			
6	Public Staff Amount (Sum of L1 thru L5)	<u>\$430,126,449</u>	<u>\$792,254</u>	<u>\$3,526,964</u>	<u>\$180,388,055</u>		

[1] Per Item G-1, Item 4, Workpaper 1, page 1 of 5.

[2] Per Public Staff EOP Operating Revenues, Exhibit A.

[3] 11,584,540 therms multiplied by \$.225/therm.

[4] Public Staff fixed gas costs of \$67,928,619 minus Company amount of \$67,287,485.

[5] Per Public Staff.

[6] Column (a) + Column (b) multiplied by regulatory fee rate.

Boswell Exhibit I
Schedule 3-1

Public Service Company of North Carolina
Docket No. G-5, Sub 565
CALCULATION OF PUBLIC STAFF PAYROLL ADJUSTMENTS
For The Test Year Ended December 31, 2015

Line No.	Item	Company	Public Staff	Public Staff Change [6]
		(a)	(b)	(c)
1	Union Employee Salaries as of 12/31/15	\$14,075,422 [1]	\$14,527,885 [4]	\$452,462
2	2016 Union Progression Increases	82,502 [1]	127,298 [4]	44,796
3	Union Merit Increase	353,948 [1]	366,380 [4]	12,431
4	Non-Union Salaries as of 12/31/15	21,509,399 [1]	22,034,930 [4]	525,531
5	Non-Union Merit Increase effective 2/16	645,282 [1]	- [4]	(645,282)
6	PSNC Overtime Pay	5,367,940 [1]	4,937,227 [5]	(430,713)
7	Overtime Increase	134,199 [1]	- [6]	(134,199)
8	Total Regular PSNC Payroll (sum L1 through L7)	42,168,692	41,993,719	(174,972)
9	Percent of Payroll to O&M	70.88% [2]	70.88% [2]	
10	Total O&M Portion of PSNC Payroll (L8 * L9)	29,889,169	29,765,148	(124,020)
11	SCANA Services Payroll Allocated to PSNC	9,806,157 [3]	9,858,625 [4]	52,468
12	Additional Headcount (O&M only)	294,185 [8]	98,770 [6]	(195,415)
13	Total Payroll Expense, Excluding Bonus & Incentive Pay	39,989,511	39,623,773	(266,967)
14	Payroll Tax Percent			7.67% [8]
15	Public Staff Adjustment to Payroll Taxes			(\$20,476)

[1] MFR Item 4, Workpaper 3-A, p. 2.

[2] MFR Item 4, Workpaper 3-A, p. 5.

[3] MFR, Item 4, Workpaper 3-A, p.9.

[4] Company updates to June 30, 2016.

[5] Boswell Exhibit I, Schedule 3-1(a), Line 10.

[6] Recommended by Public Staff based on review of documentation.

[7] Column b minus Column a.

[8] MFR, Item 4, Workpaper 3-A, p.1.

Boswell Exhibit I
Schedule 3-2

Public Service Company of North Carolina, Inc.
Docket No. G-5, Sub 565
Adjustment for Bonus Accruals
For the 12 Months Ended December 31, 2015

Line No.		Filed Estimate		[1]	June 2016 actuals		[2]	Adjustment
		PSNC	SC to PSNC		PSNC	SC to PSNC		
	Bonus Accruals							
1	PSNC 3-5-7	\$1,921,673			\$1,660,721			
2	PSNC officer's short-term	435,794			401,542			
3	PSNC officer's long-term	473,300			484,717			
4	Service Company 3-5-7		\$1,248,915			\$1,054,271		
5	Service Company officer's short term		1,414,311			1,216,275		
6	Service Company officer's long term		5,584,682			5,000,052		
7	Total Bonus accrual (Sum L1 thru L6)	<u>\$2,830,767</u>	<u>\$8,247,908</u>		<u>\$2,546,980</u>	<u>\$7,270,598</u>		
8	Test year bonus accrual	3,212,610	5,539,957		3,212,610	5,539,957		
9	O&M Expense %	<u>70.88%</u>	<u>100.00%</u>		<u>70.88%</u>	<u>100.00%</u>		
10	Total	<u>(270,651)</u>	<u>2,707,951</u>		<u>(471,799)</u>	<u>1,730,641</u>		<u>(\$1,178,457)</u>

[1] Per Company MFR, Item 4a, Workpaper 3-S.

[2] Per Company response to email 7/29/16.

Boswell Exhibit I
Schedule 3-3

Public Service Company of North Carolina
Docket No. G-5, Sub 565
CALCULATION OF OTHER BENEFITS ADJUSTMENTS
For The Test Year Ended December 31, 2015

<u>Line No.</u>	<u>Amount</u>	<u>Per Company</u>	<u>Per Public Staff</u>	<u>Adjustment</u>
1	Proforma Payroll Adjustment	\$2,456,256	\$2,189,289	
2	Updated Other Benefits Percent	<u>7.60%</u> [1]	<u>7.53%</u> [2]	
3	Adjustment to Proforma Other Benefits (L1*L2)	<u>\$186,675</u>	<u>\$164,906</u>	<u>(\$21,770)</u>

[1] Per MFR, Item 4a, Workpaper 3F, Page 1.

[2] Per information provided by the Company.

Public Service Company of North Carolina
Docket No. G-5, Sub 565
ADJUSTMENT TO REALLOCATE SCANA SENIOR STAFF COMPENSATION
For The Test Year Ended December 31, 2015

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
	<u>SCANA Senior Staff Compensation Charged to PSNC O&M:</u>	
1.	Company Amount	\$2,229,159 [1]
2.	Public Staff Amount	<u>1,359,579 [2]</u>
3.	Public Staff Adjustment to Decrease O&M Expenses (L1 - L2)	<u>\$869,580</u>

[1] Company responses to Public Staff Accounting DR 48.

[2] Allocation of all compensation items for each executive based on the allocation of the executive's regular pay.

Boswell Exhibit I
Schedule 3-5

Public Service Company of North Carolina, Inc.
Docket No. G-5, Sub 595
For the 12 Months Ended December 31, 2015
Computation of Public Staff Adjustment to Executive Compensation

	Annual Compensation	ST Incentive	LT Incentive	Other	Total Compensation	PSNC %	Total	
KB Marsh	\$1,202,590	\$1,364,220	\$2,763,823	\$402,625	\$5,733,258	5.4904%	\$314,779	[1]
JE Addison	624,112	590,070	1,004,157	187,080	2,405,419	9.3624%	225,205	[1]
RT Lindsay	456,209	344,261	544,044	143,893	1,488,407	9.6543%	143,696	[1]
SA Byrne	624,112	531,063	1,004,157	154,706	2,314,038	0.0000%	-	[1]
WK Kissam	383,739	265,767	387,644	83,658	1,120,808	0.0000%	-	[1]
Total	<u>\$3,290,762</u>	<u>\$3,095,381</u>	<u>\$5,703,825</u>	<u>\$971,962</u>	<u>\$13,061,930</u>		<u>\$683,680</u>	

Executive Compensation Charged BTL per Public Staff	50.00%	[2]
Public Staff PSNC BTL Executive Compensation	341,840	
PSNC BTL Executive Compensation Before Executive Compensation Adjustment	(62,528)	[3]
Public Staff Adjustment to Decrease O&M Expenses	<u>\$279,312</u>	
Public Staff Adjustment to Decrease Payroll	70,369	
Public Staff Adjustment to Decrease Incentive Plan	208,944	

[1] Company Response to PSNC DR 48-2.

[2] Determined by the Public Staff

[3] Per Boswell Exhibit I, Schedule 3-5(a).

Boswell Exhibit I
Schedule 3-5(a)

Public Service Company of North Carolina, Inc.
Docket No. G-5, Sub 495
For the 12 Months Ended December 31, 2007
Computation of Executive Compensation Charged to Below the Line and Non Utility Activities by Company

Line No.		Annual Compensation	ST Incentive	LT Incentive	Other	Total Compensation	Total PSNC Non Utility %	Total PSNC BTL & Non Utility
1	KB Marsh	\$1,202,590	\$1,364,220	\$2,763,823	\$402,625	\$5,733,258	0.69%	\$39,532
2	JE Addison	624,112	590,070	1,004,157	187,080	2,405,419	0.81%	19,565
3	RT Lindsay	456,209	344,261	544,044	143,893	1,488,407	0.23%	3,431
4	SA Byrne	624,112	531,063	1,004,157	154,706	2,314,038	0.00%	-
5	WK Kissam	383,739	265,767	387,644	83,658	1,120,808	0.00%	-
6	Total	<u>\$3,290,762</u>	<u>\$3,095,381</u>	<u>\$5,703,825</u>	<u>\$971,962</u>	<u>\$13,061,930</u>		<u>\$62,528</u>

Allocators Used to Assign Executive Compensation:

	PSNC O&M %	Non Utility % ^{1/}	PSNC O&M to Non Utility %	PSNC BTL % ^{2/}	Total PSNC Non Utility %	Total PSNC %
KB Marsh	5.4904%	1.13%	0.06%	0.63%	0.69%	6.1799%
JE Addison	9.3624%	1.13%	0.11%	0.71%	0.81%	10.1758%
RT Lindsay	9.6543%	1.13%	0.11%	0.12%	0.23%	9.8849%
SA Byrne	0.0000%	1.13%	0.00%	0.00%	0.00%	0.0000%
WK Kissam	0.0000%	1.13%	0.00%	0.00%	0.00%	0.0000%

1/ MFR Item 4a, Workpaper 3N.

2/ Company Response to Public Staff DR 48-2.

Boswell Exhibit I
Schedule 3-6

Public Service Company of North Carolina
Docket No. G-5, Sub 565
ADJUSTMENT TO REMOVE RETIRED EXECUTIVE'S COMPENSATION
For The Test Year Ended December 31, 2015

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1.	Total Compensation for retired executive included in cost of service	\$139,250 [1]
2.	Compensation to be included per Public Staff	0
3.	Public Staff Adjustment to Decrease O&M Expenses	<u>(\$139,250)</u>
4.	Public Staff Adjustment to Decrease Payroll	(10,032)
5.	Public Staff Adjustment to Decrease Incentive Plan	(129,218)

[1] Company responses to Public Staff.

Boswell Exhibit I
Schedule 3-7

Public Service Company of North Carolina
Docket No. G-5, Sub 565
ADJUSTMENT TO RATE CASE EXPENSE
For The Test Year Ended December 31, 2015

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Rate case expenses per Public Staff	\$312,036 [1]
2	Amortization period in years	5 [2]
3	Annual amortization per Public Staff (L1 / L2)	62,407
4	Less: Annual amortization per Company	<u>139,433 [3]</u>
5	Public Staff adjustment to O&M expenses (L3 - L4)	<u>(\$77,026)</u>

[1] Per Company update.

[2] Recommended by Public Staff.

[3] MFR Item 4a, Workpaper 3-J.

Public Service Company of North Carolina
Docket No. G-5, Sub 565
ADJUSTMENT TO POSTAGE EXPENSE
For The Test Year Ended December 31, 2015

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Test Year Postage Expenses	\$2,104,270 [1]
	Less Disallowed Advertising Postage	
2	Account 913 postage	95,223 [1]
3	Percentage Acct 913 direct mail disallowed	99.88% [2]
4		<u>\$95,109</u>
5	Test Year Postage per Public Staff (L1 - L4)	<u>\$2,009,161</u>
6	Percent decrease in rate effective 04/16	<u>-4.08%</u>
7	Postage per Public Staff (L5 x L6)	<u>1,927,187</u>
8	Postage per Company	<u>2,071,904 [1]</u>
9	Adjustment to postage expense (L7 - L8)	<u><u>(\$144,717)</u></u>

[1] G-1 Filing, Item 4a, Workpaper 3-Q.

[2] Direct mailings disallowed in advertising.

[3] The \$.02 postage decrease from \$.49 to \$.47, equates to a 4.08% decrease.

Boswell Exhibit I
Schedule 3-9

Public Service Company of North Carolina
Docket No. G-5, Sub 565
ADJUSTMENT TO UNCOLLECTIBLES
For The Test Year Ended December 31, 2015

<u>Line No.</u>	<u>Item</u>	<u>Provision</u>
1	Uncollectibles percentage	0.2500% [1]
2	Revenues from sales and transportation of gas, net of gas costs	253,150,334 [2]
3	Updated revenues from sales and transportation of gas, net of gas costs	<u>\$254,057,612 [3]</u>
4	Uncollectibles per Public Staff (L1 x L3)	635,144
5	Uncollectibles per Company	<u>657,589 [3]</u>
6	Adjustment to uncollectibles (L4 - L5)	<u><u>(\$22,445)</u></u>

[1] Based on the information provided in the G-1. Item 10.

[2] Per Boswell Exhibit I, Schedule 3, Column a, Line 6.

[3] Per Boswell Exhibit I, Schedule 3, Column aa, Line 6.

[4] Per Item 4a, Workpaper 3-G.

Boswell Exhibit I
Schedule 3-10

Public Service Company of North Carolina
Docket No. G-5, Sub 565
ADJUSTMENT TO INFLATION EXPENSE
For The Test Year Ended December 31, 2015

Line No.	Item	Amount
1	Non-adjusted O&M expenses per the Company	\$92,766,693 [1]
2	Less adjusted expenses per Company filing	86,266,755 [1]
3	Total expenses subject to inflation per Company	6,499,938
	Less: Additional Expenses adjusted elsewhere	
4	Nonutility Expense Adjustment	257,961 [2]
5	Company Nonutility Expense	40,019 [3]
6	Correct Company Salesforce	(116,776) [4]
7	Remove lobbying/political expenses	94,200 [6]
8	Remove Contributions and Donations	127,324 [7]
9	Remove Entertainment and Gifts	24,592 [7]
10	Test Year Advertising Expenses	1,034,104 [5]
11	Adjusted expenses not subject to inflation adjustment	1,461,424
	Addition: Expenses not adjusted elsewhere	
12	SCANA Chargebacks	23,177,489
13	Adjustment for employee benefits	(738,638)
14	Adjusted expenses to be included in inflation adjustment	22,438,851
15	Non-adjusted O&M expenses per the Public Staff (L3 - L10+ L 14)	\$27,477,366
16	Inflation index	2.20% [5]
17	Inflation adjustment per Public Staff (L15 x L16)	604,502
18	Inflation adjustment per Company	155,349 [1]
19	Adjustment to non-adjusted O&M expenses increased for inflation (L17 - L18)	\$449,153

[1] G-1, Item 4a, Workpaper 3L

[2] Boswell Exhibit I, Schedule 3-11, Column c, Line 27.

[3] Per Company response to DR 14-1.

[4] Per Company response to DR15-1.

[5] Recommended by Public Staff.

[6] Boswell Exhibit I, Schedule 3-22.

[7] Per query of response to DR49-1.

Public Service Company of North Carolina
Dated No. 6-5, 2015
NON-UTILITY EXPENSE ADJUSTMENT
For The Test Year Ended December 31, 2015

Line No.	Account No.	Revenue Code	Debit Code	Description	Merchandise, Jobbing, and C&G (a)	Non-Utility Expense Investment (b)	Total (c)
Expenses subject to allocation:							
1.	8200000			Admin & General Salaries		\$209,300	
2.	8200000			Investment Bonuses		\$9,575,897	[4]
3.	Various			Other Benefits		\$186,875	[5]
4.	8210000	211		Office Supplies	\$32,992	[2]	
5.	8210000	212		Copy Paper & Supplies	4,045		
6.	8210000	439		Building Services	597,943	[2]	
7.	Various			Other expenses - rental	290,188	[2]	
8.	8210000	501		Admin & General Office - other outside services	480,287	[2]	
9.	8220000	528		Outside services - bar & sec'd	6	[6]	
10.	8220000	528		Outside services - legal	205,131	[2]	
11.	8220000			Physical Guard Services		598,441	
12.	8220000			Property Insurance	1,864,446	[2]	
13.	8220000			Professional Services	861,730	[2]	
14.	8220000			Miscellaneous General Expenses	31,008	[2]	
15.	Various			Investor Relations	6	[6]	
16.	Various			Financial Services	145,331	[2]	
17.	Various			Audit Services		31,008	
18.	Various			Customer Services	487,948	[2]	
19.	Various			SCADA/IT/Security - add expenses per query			
20.	Various			Safety	123,420	[2]	
21.				Subtotal (Sum of L1 thru L20)	\$5,358,425	\$11,742,440	
22.				Amount previously allocated BTL		\$11,742,440	
23.				Total expense subject to allocation	\$5,358,425		
24.				Allocation factors	3.081%	1.129%	
25.				Adjustment per Public Staff (L18 x L19)	105,542	132,438	\$237,980
26.				Adjustment per Company	20,859	15,185	46,044
27.				Adjustment to increase the non-utility expense adjustment (L20 + L21)	\$126,683	\$119,279	\$257,961
							\$258,970
Plant-related non-utility adjustment:							
28.				Plant in Service	\$183,894	[8]	
29.				Accumulated Depreciation	15,346	[8]	
30.				Net Non-Utility P&G	\$169,248		
31.				Depreciation Expense	\$5,652	[8]	
							\$944
32.	Property Taxes			North Carolina tax rate	\$0.00512	0.998104	\$24,508
33.				Adjustment for non-utility property taxes	\$841		
Allocation Factors:							
				Revenues	[7]	Payroll	[7]
				Electricity	3.081%	3.081%	Average
				Merchandise and Jobbing	2.69%	6.85%	3.081%
				Other Non-Utility	0.73%	2.69%	1.133%
				Total	100.00%	100.00%	100.00%
				Combined Merchandise and Jobbing and Other Non-Utility			4.22%
							0.00%

[1] MFR Filing, Item 4a, Worksheet 3N, Page 1 of 10, unless otherwise footnoted.
 [2] Per Data Request response 482, used by Resource Code / Dept ID, and Company 7/20/18 email.
 [3] Bowwell Exhibit 1, Schedule 3-7, test year amount minus Public Staff adjustment and disallowed advertising postage.
 [4] Bowwell Exhibit 1, Schedule 3-2, Other portion of Company fixed bonus amounts.
 [5] Per Bowwell Exhibit 1, Schedule 3-11, Line 31.
 [6] Per Bowwell Exhibit 1, Schedule 3-11, Line 31.
 [7] Item G-1, Item 4a, Worksheet 4b.
 [8] Columns (a) + Column (b) + Column (c).

Boswell Exhibit I
Schedule 3-12

Public Service Company of North Carolina
Docket No. G-5, Sub 565
AMORTIZATION OF PIPELINE INTEGRITY MANAGEMENT COSTS
For The Test Year Ended December 31, 2015

Line No.	Item	Amount
	<u>Income Statement Effect:</u>	
1	Balance of Deferred PIM Costs @ June 30, 2008	\$2,287,037 [1]
2	Add: Incremental deferred PIM expenses 7/1/2008 - 12/31/2015	15,920,144 [1]
3	Add: Updated deferred PIM expenses 1/1/2016 - 6/30/2016	<u>4,389,641 [1]</u>
4	Total Deferred PIM Costs through June 30, 2016 (sum L1- L3)	22,596,822
5	Less: Sub 495 Amortization expense 11/1/2008 to 11/1/2016	<u>(6,098,768) [2]</u>
6	Deferred PIM Cost Balance per Public Staff (L4 -L5)	16,498,054
7	Amortization period in years	<u>5 [3]</u>
8	Amortization of PIM Costs per Public Staff (L6 / L7)	3,299,611
9	Amortization of PIM Costs per Company	<u>5,706,715 [1]</u>
10	Public Staff Adjustment to O&M Expenses (L8 - L9)	<u>(\$2,407,104)</u>
	<u>Rate Base Effect:</u>	
11	Unamortized Pipeline Integrity Costs @ December 31, 2015	\$16,498,054
12	Less: Ongoing amortization reflected in O&M expenses	<u>3,299,611</u>
13	Unamortized PIM balance per Public Staff (L11 - L12)	13,198,443
14	Deferred Pipeline Integrity Costs per Company	<u>0</u>
15	Unamortized Pipeline Integrity Costs per Public Staff	<u>\$13,198,443</u>

[1] Per Docket No. G-5, Sub 565 G-1 and data request responses. .

[2] Per Docket No. G-5, Sub 495. Annual PIM amortization approved \$762,346 times 8 years.

[3] Recommended by Public Staff.

Boswell Exhibit I
Schedule 3-13

Public Service Company of North Carolina
Docket No. G-5, Sub 565
AMORTIZATION OF MANUFACTURED GAS PLANT COSTS
For The Test Year Ended December 31, 2015

Line No.	Item	Amount
1	Balance of Deferred MGP Costs @ June 30, 2008	3,494,563 [1]
2	Add: Incremental deferred PIM expenses 7/1/2008 - 12/31/2015	3,692,766 [1]
3	Add: Incremental environmental expenses 1/1/2016 - 6/30/2016	3,155,963 [1]
4	Total Deferred PIM Costs through June 30, 2016 (sum L1-L3)	10,343,292
5	Less: Sub 495 Amortization expense 11/1/2008 to 11/1/2016	(9,318,832) [2]
6	Deferred Deferred MGP Cost per Public Staff (L4 -L5)	1,024,460
7	Amortization period in years	5 [3]
8	Amortization of Deferred MGP Costs per Public Staff (L6 / L7)	204,892
9	Amortization of Deferred MGP Costs per Company	2,254,255
10	Public Staff Adjustment to O&M Expenses (L8 - L9)	(\$2,049,363)
Rate Base Effect:		
11	Unamortized Pipeline Integrity Costs @ December 31, 2015	\$1,024,460
12	Less: Annual amortization reflected in O&M expenses	204,892
13	Unamortized PIM Balance per Public Staff	819,568
14	Deferred Pipeline Integrity Costs per Company	0
15	Unamortized Pipeline Integrity Balance per Public Staff	\$819,568

[1] MFR Item 4, Workpaper 3-I and response to DR 11.

[2] Per Docket No. G-5, Sub 495. Annual PIM amortization approved \$1,164,854 times 8 years.

[3] Recommended by Public Staff.

Boswell Exhibit I
Schedule 3-14

Public Service Company of North Carolina
Docket No. G-5, Sub 565
AMORTIZATION OF DISTRIBUTION INTEGRITY MANAGEMENT
For The Test Year Ended December 31, 2015

Line No.	Item	Amount
1	Actual test year DIMP costs	\$480,884 [1]
2	DIMP costs incurred January - June 2016 updates	1,020,209 [1]
3	Total DIMP costs at June 2016	1,501,093
4	Balance of DIMP costs to be deferred	1,501,093
5	Amortization period	5 [2]
6	Annual amortization (L4 / L5)	\$300,219
7	Adjustment per Company	\$1,519,116 [1]
8	Public Staff adjustment (L6 - L7)	(1,218,897)
Rate Base Effect:		
	Unamortized Pipeline Integrity Costs @ December 31, 2015	\$1,501,093
	Less: Ongoing amortization reflected in O&M expenses	300,219
	Unamortized PIM balance per Public Staff	1,200,875
	Deferred Pipeline Integrity Costs per Company	0
	Unamortized Pipeline Integrity Costs per Public Staff	\$1,200,875

[1] MFR Item 4, Workpaper 3-P and Company updates.

[2] Per Public Staff.

Boswell Exhibit I
Schedule 3-15

Public Service Company of North Carolina
Docket No. G-5, Sub 565
ADJUSTMENT TO CHANGES FOR REGULATORY FEE
For The Test Year Ended December 31, 2015

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Adjusted Test Year Sales and Transportation Revenues	\$430,268,985 [1]
	Less:	
2	CIAC Tax Gross-up	416,022 [1]
3	Uncollectibles	635,144 [2]
4	Amount Subject to Fee	429,217,819
5	Fee Percentage	0.140% [3]
6	Adjusted Fee per Public Staff (L4 x L5)	600,905
7	Adjusted Fee per Company	635,209 [1]
8	Public Staff Adjustment to Regulatory Fee (L6 - L7)	(\$34,304)

[1] MFR, Item 4a, Workpaper 3-C.

[2] Boswell Exhibit 1, Schedule 3-9, Line 9.

[3] Per Commission Order on July 11, 2016.

Boswell Exhibit I
Schedule 3-17

Public Service Company of North Carolina
Docket No. G-5, Sub 565
AMORTIZATION OF SALESFORCE LICENSE
For The Test Year Ended December 31, 2015

Line No.	Item	Amount
1	2015 Amortization - Q4	\$45,730 [1]
2	2015 - Catch-up Entry	243,759 [1]
3	Total 2015 Amortization (L1 +L2)	<u>289,489</u>
4	Adjustment of Salesforce per Company	(128,685) [1]
5	Cost of 3-year contract	\$370,260 [2]
6	Annual Cost (L5 / 3)	123,420
7	Public Staff ongoing level of O&M Expense	<u>123,420</u>
8	Public Staff Adjustment to O&M Expenses (L7 - L3 - L4)	<u>(\$37,385)</u>

[1] MFR Item 4, Workpaper 3R.

[2] Per Company response to DR 21-3.

Boswell Exhibit I
Schedule 3-18

Public Service Company of North Carolina
Docket No. G-5, Sub 565
Customer Deposits and Interest
For The Test Year Ended December 31, 2015

Line			
No.	Item	Customer Deposits [1]	Interest [1]
1	June 2015	(\$7,959,233)	\$57,239
2	July 2015	(7,801,018)	43,902
3	August 2015	(7,720,266)	44,541
4	September 2015	(7,693,842)	49,863
5	October 2015	(8,026,795)	49,554
6	November 2015	(8,225,758)	47,078
7	December 2015	(8,282,424)	41,438
8	January 2016	(8,443,668)	47,493
9	February 2016	(8,465,852)	46,156
10	March 2016	(8,367,242)	55,340
11	April 2016	(8,116,095)	45,778
12	May 2016	(7,806,164)	49,977
13	June 2016	(7,570,958)	48,641
14	Total sum of Lines 1 through 13	(104,479,314)	569,759
15	Number of Months	13	13
16	13 Month Average (Line 14/ Line 15)	(8,036,870)	43,828
17	Average calculated per Company	(8,295,676)	44,700
18	Public Staff Adjustment to O&M Expenses (L16 - L17)	\$258,806	(\$872)
19	Adjustment required in Customer Deposits per PS		569,759 [2]
20	Adjustment required in Customer Deposits per Company		581,096
21	Difference (Line 19 - Line 20)		<u>(\$11,337)</u>

[1] MFR Item 4a, Workpaper 3-B, updated per Company.

[2] Per Line 14.

Boswell Exhibit I
Schedule 3-19

Public Service Company of North Carolina
Public Service Company of North Carolina
ADJUSTMENT TO SERVICE COMPANY CHARGES
For The Test Year Ended December 31, 2015

Line No.	Item	Amount
1	Company increase in Service Company charges	\$3,216,283 [1]
2	Public Staff calculated Service Company charges	0 [2]
3	Public Staff adjustment to Service Company charges (L2- L1)	<u>(\$3,216,283)</u>

[1] MFR Item 4, Workpaper 3M.

[2] Per Company response to Public Staff inquest.

Boswell Exhibit I
Schedule 3-20**Public Service Company of North Carolina**
Public Service Company of North Carolina
GAS TECHNOLOGY INSTITUTE CHARGES
For The Test Year Ended December 31, 2015

Line No.	Item	Amount
1	Meters billed June 2016	537,262 [1]
2	GTI rate per meter	0.50 [2]
3	Public Staff calculated O&M Charge (L1 x L2)	268,631
4	Company requested O&M Charge	275,000 [2]
5	Adjustment to GTI O&m Charge (L3 - L4)	(\$6,369)

[1] Per Company response and monthly revenue report.

[2] MFR Item 4, Workpaper 3-W.

Boswell Exhibit I
Schedule 3-21

Public Service Company of North Carolina
Docket No. G-5, Sub 565
ADJUSTMENT TO FUEL COSTS
For The Test Year Ended December 31, 2015

Line No.	Item	Amount	
		Unleaded (a)	Diesel (b)
1	2014 Average Price	3.32 [1]	3.77 [1]
2	2015 Average Price	2.32 [1]	2.67 [1]
3	2 year average price	2.82	3.22
4	Gallons in test year	542,511 [1]	137,035 [1]
5	Average calculated fuel costs (L3 * L4)	1,529,881	441,253
6	Cost in test year	1,256,377 [1]	366,482 [1]
7	Public Staff fuel costs (L5 - L6)	273,504	74,771
8	Increase to O&M fuel costs per Company	396,033 [1]	108,258 [1]
9	Adjustment to fuel costs (L7 - L8)	(122,529)	(33,487)
10	O&M percentage		75.00% [1]
11	Public Staff adjustment to fuel costs (L9 * L10)		<u>(\$117,012)</u>

[1] MFR Item 4, Workpaper 3-T.

[2] Column a plus Column b.

Public Service Company of North Carolina
Docket No. G-5, Sub 565
ADJUSTMENT TO LOBBYING EXPENSE
For The Test Year Ended December 31, 2015

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
		(a)
1	Labor expenses for Economic Development & Gov't Affairs Department	\$294,242 [2]
2	Lobbying percentage	25% [3]
3	Adjustment to remove lobbying expenses from department (L1 x L2)	73,561
4	Misc expenses related to lobbying/politics	28,264 [4]
5	Lobbying Percentage	100% [3]
6	Adjustment to remove misc expenses related to lobbying	28,264
7	American Gas Association dues	263,745 [1]
8	Lobbying percentage	25% [3]
9	Adjustment to remove lobbying expenses from AGA dues (L7 x L8)	65,936
10	Total adjustment to remove lobbying expenses (L3 + L6 + L9)	\$167,760

[1] MFR, Item 13.

[2] Per Company Response.

[3] Recommended by Public Staff

[4] Per review of Company response to DR49.

Boswell Exhibit I
Schedule 3-23

Public Service Company of North Carolina
Docket No. G-5, Sub 565
INTEREST SYNCHRONIZATION ADJUSTMENT
For The Test Year Ended December 31, 2015

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Interest expense assigned to rate base per Company	\$23,358,790 [1]
2	Interest expense assigned to rate base per Public Staff	<u>23,898,361 [2]</u>
3	Difference in interest expense tax deduction (L2 - L1)	<u>\$539,571</u>
4	Adjustment to state income taxes (L3 x 4%)	<u>(\$21,583)</u>
5	Adjustment to federal income taxes (L3 + L4 x 35%)	<u>(\$181,296)</u>
6	Total adjustment to income taxes	<u>(\$202,879)</u>

[1] Boone Exhibit 6, Page 2.

[2] Boswell Exhibit I, Schedule 4, Column (e), Line 1 + Line 2.

Boswell Exhibit I
Schedule 4

Public Service Company of North Carolina
Docket No. G-5, Sub 565
RETURN ON EQUITY AND ORIGINAL COST RATE BASE
For The Test Year Ended December 31, 2015

Line No.	Item	Capitalization Ratios (a)	Original Cost Rate Base (b)	Before Recommended Increase			Rate Base	After Recommended Increase		
				Embedded Cost/Return % (c)	Weighted Cost/Return % (d)	Net Operating Income (e)		Embedded Cost/Return % (f)	Weighted Cost/Return % (g)	Net Operating Income (h)
1	Long term debt	44.62%	\$428,414,394 [2]	5.52% [1]	2.46% [5]	\$23,648,475 [7]	\$429,221,584	5.52%	2.46% [10]	\$23,693,031 [12]
2	Short term debt	3.38%	32,452,726 [2]	0.77% [1]	0.03% [5]	249,886 [7]	32,513,872	0.77%	0.03% [10]	\$250,357 [12]
3	Common equity	52.00%	499,272,714 [2]	7.31% [4]	3.80% [5]	36,504,078 [8]	500,213,411	9.70%	5.04% [10]	\$48,520,701 [12]
4	Totals	100.00%	\$960,139,834 [3]		6.29% [6]	\$60,402,439 [9]	\$961,948,867		7.53% [11]	\$72,464,089 [13]

[1] Per Public Staff Witness.

[2] Column (a) x Column (b), Line 4.

[3] Boswell Exhibit I, Schedule 2.

[4] Column (e) / Column (b).

[5] Column (a) x Column (c).

[6] Column (e), Line 4 / Column (b), Line 4.

[7] Column (b) x Column (c).

[8] Column (e), Line 4 - Line 1 - Line 2.

[9] Boswell Exhibit I, Schedule 3.

[10] Column (a) x Column (f).

[11] Column (h), Line 4 / Column (b), Line 4.

[12] Column (b) x Column (f).

[13] Sum of Line 1 thru L3.

Boswell Exhibit I
Schedule 5

Public Service Company of North Carolina
Docket No. G-5, Sub 565
CALCULATION OF INCREASE (DECREASE) IN
REVENUE REQUIREMENT
For The Test Year Ended December 31, 2015

Line No.	Item	Debt		Equity (c)	Total (d)
		Long Term (a)	Short Term (b)		
1	Required net operating income	\$23,693,031 [1]	\$250,357 [1]	\$48,520,701 [1]	\$72,464,089
2	Net operating income before proposed increase	23,648,475 [2]	249,886 [2]	36,504,078 [2]	60,402,439
3	Additional net operating income requirement (L1 - L2)	44,556	471	12,016,623	12,061,650
4	Retention factor	0.996104 [3]	0.996104 [3]	0.6215686 [3]	
5	Additional gross revenue requirement (L3 / L4)	<u>\$44,730</u>	<u>\$473</u>	<u>\$19,332,738</u>	<u>\$19,377,941</u>

[1] Boswell Exhibit I, Schedule 4, Column (h).

[2] Boswell Exhibit I, Schedule 4, Column (e).

[3] Boswell Exhibit I, Schedule 5 (a), Column (d), Line 13.

Public Service Company of North Carolina
Docket No. G-5, Sub 565
CALCULATION OF GROSS REVENUE EFFECT FACTORS
For The Test Year Ended December 31, 2015

<u>Line No.</u>	<u>Item</u>	<u>Capital Structure</u> (a)	<u>Cost Rates</u> (b)	<u>Retention Factors</u> (c)	<u>Gross Revenue Effect</u> (d)
<u>Rate Base Factor:</u>					
1	Long-term debt	44.62%	5.52%	0.9961035	0.02472659
2	Short-term debt	3.38%	0.77%	0.9961035	0.00026128
3	Common equity	<u>52.00%</u>	9.70%	0.6215686	<u>0.08114953</u>
4	Total (Sum of L1 thru L3)	<u>100.00%</u>			<u>0.1061374</u>
<u>Net Income Factor:</u>					
5	Total revenue				1.0000000
6	Uncollectibles				<u>0.0025000</u>
7	Balance (L5 - L6)				0.9975000
8	Regulatory fee (L7 x current regulatory fee rate)				<u>0.0013965</u>
9	Balance (L7 - L8)				0.9961035
10	Less: State income tax (L9 x 4%)				<u>0.0398441</u>
11	Balance (L9 - L10)				0.9562594
12	Less: Federal income tax (L11 x 35%)				<u>0.3346908</u>
13	Gross up factor (L11 - L12)				<u>0.6215686</u>