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rates in order to recover revenues based on per-customer volume levels approved by the Commission in the rate case. Finally, if the CUT is approved, PSNC intends to file for approval of three conservation programs and to discontinue its weather normalization adjustment mechanism.

The Public Staff presented this matter to the Commission at its Staff Conference on April 28, 2008. Based upon a review of the application and the Public Staff's recommendation, the Commission is of the opinion that the proposed changes in the Company's rates and charges will affect the public interest, that the same should be suspended, and an investigation should be instituted to determine whether or not such rate changes are just and reasonable. The Commission is further of the opinion that the proposed changes constitute a general rate case as defined by North Carolina G.S. 62-137 and that the changes requested should be set for public hearing.

Based on the foregoing, the Commission finds good cause to set the application for hearing, suspend the proposed rates for up to 270 days from the requested implementation date of May 1, 2008, establish deadlines for the filing of petitions to intervene and testimony, establish appropriate discovery rules, and require public notice.

The guidelines regarding discovery in this docket, subject to modification for good cause shown, are as follows:

1. Any deposition that a party desires to take shall be taken before the deadline for the filing of Public Staff and other Intervenor testimony. A notice of deposition shall be served on all parties at least seven days prior to the taking of the deposition.

2. Any motion for subpoena of a witness to appear at the evidentiary hearing shall be filed with the Commission before the deadline for the filing of the Public Staff and other Intervenor testimony, shall be served by hand delivery or facsimile to the person sought to be subpoenaed at or before the time of filing with the Commission, and shall make a reasonable showing that the evidence of such person will be material and relevant to an issue in the proceeding in accordance with G.S. 62-62. Unless an objection is filed, the Chief Clerk shall issue the requested subpoena 24 hours after such a motion is filed.

3. Formal discovery requests related to the application and the Company's pre-filed direct testimony shall be served on PSNC by hand delivery, by facsimile, or by means of electronic delivery upon agreement of the receiving party no later than 14 days prior to the filing of Public Staff and other Intervenor testimony. PSNC shall have up to ten calendar days to file with the Commission objections to the discovery requests on an item-by-item basis, but in no event shall objections be filed later than ten days prior to the deadline for the filing of Public Staff and other Intervenor testimony.

4. Formal discovery requests of the Public Staff or other Intervenor shall be served by hand delivery, by facsimile, or by means of electronic delivery upon agreement of the receiving party no later than three days after such testimony is filed.

The party served shall have up to three calendar days to file with the Commission objections to the discovery requests on an item-by-item basis, but in no event shall objections be filed later than five days after that party's testimony was filed.

5. Formal discovery requests related to pre-filed rebuttal testimony shall be served by hand delivery, by facsimile, or by means of electronic delivery upon agreement of the receiving party no later than two days after such testimony is filed. Such discovery requests need not be filed with the Commission. The party served shall have up to two calendar days to file with the Commission objections to the discovery requests on an item-by-item basis, but in no event shall objections be filed later than three days after the rebuttal testimony was filed. Discovery related to rebuttal testimony shall be limited to new material introduced in such rebuttal testimony and will be carefully scrutinized upon objection that such discovery should have been sought during the initial period of discovery.

6. Discovery requests need not be filed with the Commission when served; however any party filing objections shall attach a copy of the relevant discovery request to the objections. Each discovery request, or part thereof, to which no objection is filed, shall be answered by the time objections are due, subject to other agreement of the affected parties or other order of the Commission. Upon the filing of objections, the party seeking discovery shall have two days to file with the Commission a motion to compel, and the party objecting to discovery shall have one day thereafter to file a response. All objections, motions to compel, and responses shall be served on the other affected party by hand delivery, facsimile, or by means of electronic delivery upon agreement of the receiving party at or before the time of filing with the Commission.

7. A party shall not be granted an extension of time to pursue discovery because of that party's late intervention or other delay in initiating discovery.

The Commission urges all parties to work in a cooperative manner and to try to accommodate discovery within the time available. The Commission recognizes that in the past most discovery has been conducted in an informal manner without the need for Commission involvement or enforcement, and that such has been generally successful. The above guidelines are without prejudice to the parties conducting informal discovery or exchanging information by agreement at any time with the understanding that such will not be enforceable by the Commission if outside the guidelines.

Finally, the Commission will require the Company to consult with all other parties and file, not later than August 20, 2008, a list of witnesses to be called at the hearing, the order of witnesses, and the order and estimated time for cross-examination. If the parties cannot agree, the remaining parties shall, not later than August 21, 2008, make a filing indicating their points of disagreement with the Company's filing.

IT IS, THEREFORE, ORDERED as follows:

1. That the application to change its rates and charges for retail natural gas service filed by the Company is suspended pursuant to G.S. 62-134 for a period of 270 days from and after the proposed effective date of May 1, 2008, the date when such rates would otherwise go into effect.

2. That this application is declared to be a general rate case pursuant to G.S. 62-137, and the matter is set for investigation and hearing. The Company shall comply with all provisions of Chapter 62 of the North Carolina General Statutes and the Rules and Regulations of the Commission for the hearing and determination of general rate cases.

3. That the hearings on the application be scheduled as indicated below:

Statesville: July 8, 2008, at 2:00 p.m., in the Iredell County Hall of Justice, Courtroom C, 221 Water Street, Statesville, North Carolina

Asheville: July 8, 2008, at 7:00 p.m., in the Public Works Building, Conference Rooms A-109 and A-111, 161 S. Charlotte Street, Asheville, North Carolina

Gastonia: July 9, 2008, at 2:00 p.m., in the Gaston County Courthouse, Courtroom 4B, 325 N. Marietta Street, Gastonia, North Carolina

Durham: July 10, 2008, at 2:00 p.m., in the Greater Durham Chamber of Commerce Board Room, 14th Floor, Suite 1400, 300 W. Morgan Street, Durham, North Carolina

Raleigh: July 14, 2008, at 7:00 p.m., in the Commission Hearing Room No. 2115, Second Floor, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

Raleigh: August 26, 2008, at 9:30 a.m., in the Commission Hearing Room No. 2115, Second Floor, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

4. That the hearings on July 8, 9, 10, and 14, 2008, will be for the purpose of receiving the testimony of public witnesses only. The hearing will resume in Raleigh on August 26, 2008, at 9:30 a.m. and continue as required for further testimony of public witnesses and testimony and cross-examination of witnesses for the Company, the Public Staff, and other intervenors.

5. That the Commission will determine not only the justness and reasonableness of the Company's overall requested changes in rates and proposed changes in tariffs and service regulations, but also will determine the appropriate level of rates to be established for each individual rate class.

6. That the test period to be used by all parties in this proceeding shall be the twelve-month period ended December 31, 2007, with appropriate adjustments.

7. That the parties shall comply with the discovery guidelines established herein and shall work in a cooperative manner as to discovery.

8. That the Company shall consult with all other parties and file, not later than August 20, 2008, a joint list of witnesses to be called at the hearing, the order of witnesses, and the order and estimated time for cross-examination. If the parties cannot reach agreement, the remaining parties shall, not later than August 21, 2008, make a filing indicating their points of disagreement with the Company's filing.

9. That the Company shall, at its own expense, publish in newspapers having general coverage in its service areas, the Notice of Hearing attached as Appendix A, once a week for two consecutive weeks, with the last publication occurring no later than May 24, 2008. The Notice shall cover no less than one-fourth of a page.

10. That the Company shall mail to each of its customers a copy of the Notice of Hearing no later than June 15, 2008.

11. That the Company shall file an affidavit of publication and certificate of service no later than the first day of the evidentiary hearing.

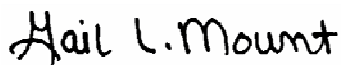
12. That petitions to intervene in this proceeding shall be filed pursuant to Commission Rules R1-5, R1-6, R1-7, and R1-19 not later than August 6, 2008.

13. That direct testimony and exhibits of the Public Staff and other Intervenors shall be filed on or before August 6, 2008, and that the rebuttal testimony and exhibits, if any, of any and all parties shall be filed on or before August 18, 2008.

ISSUED BY ORDER OF THE COMMISSION.

This the 30th day of April, 2008.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Gail L. Mount". The signature is written in a cursive, slightly stylized font.

Gail L. Mount, Deputy Clerk

NOTICE OF HEARING**PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.
DOCKET NO. G-5, SUB 495****BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

NOTICE IS GIVEN that on March 31, 2008, Public Service Company of North Carolina, Inc., d/b/a PSNC Energy (PSNC or the Company), filed an application with the Commission requesting approval of (a) an increase of \$20,441,501 in revenue in PSNC's rates and charges for natural gas utility service; (b) certain changes to the cost allocations and rate designs underlying existing rates for the Company; (c) certain revisions to the current tariff; (d) amortization of certain deferred account balances; (e) implementation of a customer usage tracker (CUT); and (f) the implementation of a cost recovery mechanism for customer conservation programs. The requested increase in annual revenue of \$20,441,501 represents an overall increase of 3.0%. The Company further states that on a pro forma basis, it earned an annual rate of return of only 7.65% during the test year ended December 31, 2007. The Company proposes to place the new rates into effect on May 1, 2008.

In support of the requested increase, the Company states that it has greatly expanded natural gas service in its rapidly growing service territory since its last general increase in rates and charges, effective November 1, 2006. Since the end of that test period, the Company states it has installed over 929 miles of transmission and distribution mains and 41,492 service lines, added 31,812 customers, and made approximately \$188 million of capital investment in its utility property.

PSNC further states that while the number of customers it serves continues to grow significantly, the weather-normalized throughput per residential customer continues to decrease based on more efficient appliances, better insulated homes and office buildings, and volatile natural gas prices, which have caused customers to conserve. PSNC states that its volumetric rate structure along with declining usage is causing a reduction in margins that it should be receiving. Also, PSNC contends that this volumetric rate design creates a disincentive for the Company to implement energy efficiency and conservation initiatives for its customers. PSNC is requesting approval of the CUT, a decoupling mechanism, which will make periodic adjustments to volumetric rates in order to recover revenues based on the per-customer volume levels approved by the Commission in the rate case. Finally, if the CUT is approved, PSNC intends to file for approval of three conservation programs and discontinue its weather normalization adjustment mechanism.

Below is a table with the proposed revenue increase by customer class:

**Proposed Changes in Operating Revenues
For Public Service Company of North Carolina, Inc.**

Customer Class	Pro Forma Revenue	Proposed Revenue	Change in Revenue	Percentage Change
Residential	\$434,869,578	\$449,983,977	\$15,114,399	3.48%
Small Commercial	176,189,684	179,869,153	3,679,469	2.09%
Large Quantity Service:				
Commercial – Firm	34,244,749	34,696,876	452,127	1.32%
Commercial/Industrial - Interruptible	42,016,315	43,211,815	1,195,500	2.85%
Overall	\$687,320,326	\$707,761,821	\$20,441,495	2.97%

The Company requested the Commission to allow the proposed rates to become effective on May 1, 2008. The Commission, by order, suspended the Company's proposed general rate changes for a period of up to 270 days from and after May 1, 2008.

OTHER MATTERS

The Company has also requested an increase in its facilities charges as follows:

Monthly Basic Facilities Charge	Present Charge	Proposed Charge
Residential	\$10.00	\$12.00
Small Commercial	\$17.50	\$20.00

In addition, PSNC is proposing two new rate schedules: Rate 102 – High Efficiency Residential Service and Rate 127 – High-Efficiency Small General Service. This new Rate 102 would be similar to the existing Rate 101 – Residential Service, except it would provide a \$0.05/therm discount on energy charges. Likewise, new Rate 127 would be similar to the existing Rate 125 – Small General Service, except it, too, would have a \$0.05/therm discount on energy charges.

These two new rate schedules are available to customers whose residence is certified to meet the standards of the Energy Star Program of the U.S. Department of Energy and the U.S. Environmental Protection Agency or whose commercial building is LEED-certified by the U.S. Green Building Council. In order to receive service on either of these two new discounted rates, customers must provide to PSNC the certification that the customer's residence/building meets the applicable standards.

EFFECT OF RATES

For existing residential customers, the proposed rates would change the average bill as follows:

<u>Season</u>	<u>Average Monthly Bill (Including Excise Tax)</u>			
	<u>Existing Rates</u>	<u>Proposed Rates</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Winter	\$143.42	\$147.09	\$3.67	2.6%
Summer	\$31.75	\$34.03	\$2.28	7.2%
Average	\$87.59	\$90.56	\$2.98	3.4%

The Winter Season is from November through April and is based on an average usage of 94 therms per month. The Summer Season is from May through October and is based on an average usage of 16 therms per month. In addition, the typical average bill includes the state excise tax of \$0.047 per therm.

Commercial, firm industrial and interruptible customers would experience increases in their monthly bills based upon their particular rate schedule and usage level.

The Commission will consider additional or alternative rate design proposals that were not included in the original application and may order increases or decreases in individual rate schedules that differ from those proposed by the Company but will not consider any increase in total revenues beyond that requested by the Company.

A list of present rates, together with details of the proposed adjustments in rates, can be obtained at the business offices of PSNC or at the Office of the Chief Clerk of the Commission, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina, where a copy of the proposed application is available for review by any interested person. Also, a detailed list that compares present and proposed rates is available on the Public Staff – Natural Gas Division's website at the following web address: <http://www.pubstaff.commerce.state.nc.us/psngas/home/G005s495.pdf>. Upon written request, the Commission will place copies of the application and prefiled testimony in centrally located public libraries. The name and location of the library must be identified in the request.

The Commission ordered the Company to inform its customers of the following procedures by which comments regarding the rate application can be made part of the record of the case upon which the Commission must base its decision. Persons desiring to present testimony for the record should appear at one of the public hearings.

Persons desiring to send written statements to inform the Commission of their positions in the matter should address their statements to the North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4325 and reference Docket No. G-5, Sub 495. However, such written statements cannot be considered competent evidence unless those persons appear at the hearing and testify

concerning the information contained in their written statements.

Notice is given that the North Carolina Utilities Commission has set the hearings for the application for a general rate increase as follows:

Statesville: July 8, 2008, at 2:00 p.m., in the Iredell County Hall of Justice, Courtroom C, 221 Water Street, Statesville, North Carolina

Asheville: July 8, 2008, at 7:00 p.m., in the Public Works Building, Conference Rooms A-109 and A-111, 161 S. Charlotte Street, Asheville, North Carolina

Gastonia: July 9, 2008, at 2:00 p.m., in the Gaston County Courthouse, Courtroom 4B, 325 N. Marietta Street, Gastonia, North Carolina

Durham: July 10, 2008, at 2:00 p.m. in the Greater Durham Chamber of Commerce Board Room, 14th Floor, Suite 1400, 300 W. Morgan Street, Durham, North Carolina

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The hearings on July 8, July 9, July 10 and July 14, 2008, will be for the purpose of receiving the testimony of public witnesses only. The hearing will resume in Raleigh on August 26, 2008, at 9:30 a.m. and continue as required for further testimony of public witnesses and testimony and cross-examination of witnesses for the Company, the Public Staff, and other intervenors.

Persons having an interest in the investigation and desiring to intervene in the matter as formal parties of record may file their protests or interventions not later than August 6, 2008 and in accordance with Rules R1-5, R1-6, R1-7, and R1-19 of the Commission's Rules and Regulations. The burden of proof shall be upon the Company

to show that the proposed rates applied for are just and reasonable.

The Public Staff of the Utilities Commission, through the Executive Director, is required by statute to represent the using and consuming public in proceedings before the Commission. Statements to the Executive Director should be addressed to:

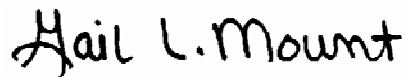
Mr. Robert P. Gruber
Executive Director
Public Staff - NCUC
4326 Mail Service Center
Dobbs Building
Raleigh, NC 27699-4326

The Attorney General is also authorized to represent the using and consuming public in proceedings before the Commission. Statements to the Attorney General should be addressed to:

The Honorable Roy Cooper
Attorney General of North Carolina
c/o Utilities Division
P. O. Box 629
Raleigh, NC 27602

This the 30th day of April, 2008.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Gail L. Mount". The signature is written in a cursive, flowing style.

Gail L. Mount, Deputy Clerk

NOTE TO THE PRINTER: The Applicant shall pay Advertising Costs. It is required that the Affidavit of Publication be filed with the Commission by the Applicant.