

McGuireWoods LLP
434 Fayetteville Street
Suite 2600
PO Box 27507 (27611)
Raleigh, NC 27601
Phone: 919.755.6600
Fax: 919.755.6699
www.mcguirewoods.com
Mary Lynne Grigg
Direct: 919.755.6573

McGUIREWOODS

mgrigg@mcguirewoods.com

OFFICIAL COPY

JUN 23 2016

June 23, 2016

VIA ELECTRONIC FILING

Mrs. Gail L. Mount, Chief Clerk
North Carolina Utilities Commission
Dobbs Building
430 North Salisbury Street
Raleigh, North Carolina 27603

Re: Docket No. G-5, Sub 565

Dear Mrs. Mount:

In its April 26, 2016 Order Scheduling Investigation and Hearing, Suspending Proposed Rates, Establishing Intervention and Testimony Due Dates and Discovery Guidelines, and Requiring Public Notice, the Commission required that Public Service Company of North Carolina, Inc. ("PSNC") mail to each of its customers a copy of the Notice of Hearing no later than June 13, 2016. Pursuant to this requirement, enclosed for filing in the above-referenced docket is PSNC's Certification that it has provided Notice of Hearing to each of its customers.

If you have any questions regarding this filing, please do not hesitate to call me. Thank you for your assistance with this matter.

Very truly yours,

/s/Mary Lynne Grigg

MLG:kjg

Enclosure

BEFORE
THE NORTH CAROLINA UTILITIES COMMISSION

Docket No. G-5, Sub 565

NORTH CAROLINA,
GASTON COUNTY.

CERTIFICATION

Candace A. Paton, being first duly sworn, says that she is Rates & Regulatory Manager for Public Service Company of North Carolina, Inc. ("PSNC"), and, as such, she is authorized, and has been designated by PSNC, to certify as directed by the North Carolina Utilities Commission, that PSNC has, at its own expense and no later than June 13, 2016, provided the attached Notice of Hearing to each of its customers by U. S. mail.

Candace A Paton

Affiant (Candace A. Paton)

Subscribed and sworn to before me, this 23rd day of June 2016.

Melodie K Hall

Melodie K. Hall, Notary Public

My Commission Expires: July 4, 2020
[OFFICIAL SEAL]

MELODIE K HALL
NOTARY PUBLIC
GASTON COUNTY, NC
My Commission Expires July 4, 2020

NOTICE OF HEARING

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

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

NOTICE IS GIVEN that on March 31, 2016, 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 general increase of \$41,583,020 in annual revenues from its rates and charges for natural gas utility service and a return on equity of 10.60%. In addition, PSNC requests approval of the following: (a) a rider to its rates to track and provide for ongoing recovery of capital expenses related to the Company's transmission and distribution pipeline integrity management program; (b) certain changes to the cost allocations and rate designs underlying the Company's existing rates; (c) certain updates and revisions to the current tariff; (d) inclusion in the Company's cost of service of \$2,000,000 related to distribution integrity management program operations and maintenance (O&M) expenses; (e) deferral of those O&M expenses associated with the Company's distribution integrity management program in excess of \$2,000,000 per year and the continued deferred accounting treatment for O&M expenses associated with its transmission integrity management program; (f) an annual investment in the Gas Technology Institute's Operations Technology Development Program of \$275,000; (g) implementation of new depreciation rates; (h) implementation of a rate decrement to refund to its customers excess accumulated deferred income taxes (ADIT); and (i) a proposed Medium General Service Rate 140. The requested increase in annual revenues of \$41,583,020 represents an increase of 9.66%. In the Company's last general rate case in Docket No. G-5, Sub 495, the Commission approved increases in the rates and charges of PSNC that took effect on November 1, 2008. The Company states that in that rate case, the Commission determined a reasonable rate of return for PSNC was 8.54%, but the Company contends that it earned an annual rate of return of 7.84% during the test year ended December 31, 2015. The Company proposes to place the new rates into effect on May 1, 2016.

In support of its application, PSNC further states that since its last general rate increase, the Company has greatly expanded natural gas service to its growing customer base and has added 77,025 customers (net of attrition). The Company contends that between the end of the updated test period in that case (June 30, 2008) and December 31, 2015, it has installed over 1,424 miles of transmission and distribution mains and 83,866 service lines, and invested approximately \$609 million of capital in its utility property. In addition to the \$609 million in utility plant since the Company's last rate case, the Company estimates that it will add an additional \$149 million in plant by June 30, 2016. The Company also contends that it has incurred, as of December 31, 2015, more than \$19 million in deferred environmental and pipeline integrity expenses. Additionally, PSNC submits that these investments have extended service to new customers and

strengthened and enhanced the safety and reliability of PSNC's system, to the benefit of its customers and the State of North Carolina.

PSNC further states that, as a result of the significant investments in its system that it has made during the last eight years and the substantial environmental, integrity management, and other expenses incurred during that time, the rates currently approved by the Commission are now insufficient to provide PSNC with a fair and reasonable rate of return on its investment. PSNC alleges that a general increase in its rates is therefore necessary and justified in order to allow the Company to continue investing in the growth, safety, and reliability of its system. In the early 1990s, the Company began remediating its manufactured gas plant sites, which ceased production after the extension of natural gas service through North Carolina. The last remaining site will be fully remediated by May of this year. With the completion of the remediation process, PSNC will no longer need authority to defer expenses associated with the remediation, so the Company proposes to terminate the deferral mechanism related to these costs.

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	Present Revenue	Proposed Revenue	Change in Revenue	Percentage Change
Residential	\$ 285,766,881	\$ 305,861,525	\$ 20,094,644	7.03%
General Service	\$ 99,145,829	\$ 105,102,173	\$ 5,956,344	6.01%
Large General Service - Firm	\$ 29,556,676	\$ 40,442,676	\$ 10,886,000	36.83%
Large General Service - Interruptible	\$ 11,593,261	\$ 15,962,556	\$ 4,369,295	37.69%
Special Contracts	\$ 792,254	\$ 792,254		0.00%
Rounding		\$ 164	\$ 164	
Other Miscellaneous Revenues	<u>\$ 3,413,176</u>	<u>\$ 3,689,752</u>	<u>\$ 276,576</u>	8.10%
Overall	\$ 430,268,077	\$ 471,851,100	\$ 41,583,023	9.66%

The Company requested the Commission to allow the proposed rates to become effective on May 1, 2016. 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, 2016.

OTHER MATTERS

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

**Proposed Changes in Facilities Charge
For Public Service Company of North Carolina, Inc.**

Monthly Basic Facilities Charge	Present Charge	Proposed Charge	Change in Revenue(\$)	Change (%)
Residential	\$ 10.00	\$ 12.00	\$ 2.00	20.00%
Small Commercial	\$ 17.50	\$ 25.00	\$ 7.50	42.86%

**Miscellaneous Fees
For Public Service Company of North Carolina, Inc.**

Reconnection Fees	Existing Fee	Proposed Fee	Change in Revenue(\$)	Change (%)
Residential-Regular Hours	\$ 65	\$ 80	\$ 15	23.08%
After 5 p.m., weekends, Holidays	\$ 95	\$ 120	\$ 25	26.32%
Non-Residential-Regular Hours	\$ 95	\$ 120	\$ 25	26.32%
After 5 p.m., weekends, Holidays	\$ 125	\$ 150	\$ 25	20.00%

In addition, PSNC is proposing a new rate schedule: Rate 140 – Medium General Service. This new Rate 140 would be applicable to commercial and small industrial customers who use more than 25,000 but less than 60,000 therms per year. The Company is proposing a minor change to section II of Rider C, Customer Usage Tracker (CUT) to indicate that the proposed Medium General Service Rate 140 will be subject to the CUT.

PSNC is proposing minor changes to various rate schedules. Language is being added to indicate that all rate schedules will be subject to the proposed Integrity Management Tracker. The Company also added language to the Large General Service and Transportation rate schedules to indicate that for billing purposes the rates in the Company's Summary of Rates and Charges that are expressed on a per therm basis will be converted to a per dekatherm basis. The Company is proposing a new Rider B – Methodology for Determining Proper Rate Service Priority Classification Pursuant to Commission Rules R6-12 and R6-19.2.

The Company proposes to refund excess accumulated deferred income taxes resulting from recent reductions in the state income tax rate through a temporary rate decrement.

PSNC is requesting an Integrity Management Tracker pursuant to North Carolina General Statute 62-133.7A. PSNC is proposing a new Rider E, Integrity Management Tracker (IMT) that sets forth how the proposed tracker will work. PSNC will maintain an Integrity Management Deferred Account (IMDA), which will track the monthly Integrity Management Revenue Requirement (IMRR) expense and the monthly IMRR amounts collected from customers pursuant to the biannual rate adjustments.

EFFECT OF RATES

For existing residential customers who are served on Rate Schedule 101, the proposed rates would change the average bill as follows:

Average Monthly Bill (Including State Sales Tax)

Season	Existing Rates	Proposed Rates	Change in Revenue(\$)	Change (%)
Winter	\$81.44	\$86.61	\$5.17	6.35%
Summer	\$21.45	\$23.56	\$2.11	9.84%
Average	\$51.60	\$55.25	\$3.65	7.07%

The Winter Season is from November through April and is based on an average usage of 86 therms per month. The Summer Season is from May through October and is based on an average usage of 14 therms per month. In addition, the typical average bill includes the state sales tax of 7%. The percentage increase on this chart applies only to residential Rate Schedule 101, so it differs slightly from the chart titled, "Proposed Changes in Operating Revenues," which also includes residential rate schedules for high efficiency service and lighting service.

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. The application, as well as prefiled testimony and exhibits of the parties, hearing transcripts, post-hearing briefs and proposed orders, may be viewed as they become available on the Commission's website at www.ncuc.net, by clicking on "Docket Search" and typing in "G-5 Sub 565" under "Docket Number." 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/index_files/Page817.htm.

The Commission ordered the Company to inform its customers of the following procedures by which comments regarding the rate application can be made a 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 27699-4300 and reference Docket No. G-5, Sub 565. 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:

Gastonia: Tuesday, August 23, 2016, at 7:00 p.m., in the Gaston County Courthouse, Courtroom 2D, 325 Dr. Martin Luther King, Jr. Way, Gastonia, NC 28052.

Asheville: Wednesday, August 24, 2016 at 7:00 p.m., in the Buncombe County Courthouse, 60 Court Plaza, Asheville, NC 28801

Statesville: Thursday, August 25, 2016 at 7:00 p.m., in the Commissioners' Meeting Room at the Government Center, 200 South Center Street, Statesville, NC 28687

Raleigh: Monday, August 29, 2016, at 7:00 p.m., in Commission Hearing Room 2115, Second Floor, Dobbs Building, 430 North Salisbury Street, Raleigh, NC 27603

Raleigh: Tuesday, August 30, 2016, at 10:00 a.m., in Commission Hearing Room 2115, Second Floor, Dobbs Building, 430 North Salisbury Street, Raleigh, NC 27603

The hearings on August 23, 24, 25, and 29, 2016 will be for the purpose of receiving the testimony of public witnesses only. Public Witness testimony will be received in accordance with Commission Rule R1-21(g). The hearing will resume in Raleigh on August 30, 2016, at 10:00 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 August 10, 2016, 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 their proposed rates are just and reasonable.

The Public Staff of the Utilities Commission, through its 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:

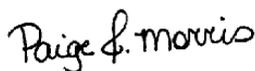
Mr. Christopher J. Ayers
Executive Director
Public Staff - NCUC
4326 Mail Service Center
Dobbs Building
Raleigh, NC 27699-4300

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 26th day of April, 2016.

NORTH CAROLINA UTILITIES COMMISSION



Paige J. Morris, 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.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Certification* submitted in Docket No. G-5, Sub 565 was served upon the parties of record via U.S. mail, postage paid, or electronically.

This, the 23rd day of June, 2016.

/s/Mary Lynne Grigg

McGuireWoods LLP
434 Fayetteville Street, Suite 2600
PO Box 27507 (27611)
Raleigh, North Carolina 27601
(919) 755-6573 (Direct)
(919) 755-6699 (Fax)
mgrigg@mcguirewoods.com

*Attorney for Public Service Company of
North Carolina, Inc.*