

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-5, Sub 495

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

OFFICIAL COPY

FILED

SEP 19 2008

Clerk's Office
N.C. Utilities Commission

In the Matter of)	
Application of Public Service Company)	MOTION FOR
of North Carolina, Inc. for a General)	ADMISSION OF
Increase In its Rates and Charges)	LATE-FILED EXHIBITS

Attorney General Roy Cooper hereby moves that the Commission admit the attached exhibits into the record in this proceeding as late-filed exhibits in order to clarify the record with respect to certain information received at the evidentiary hearing on August 26, 2008.

Most questioning during the evidentiary hearing by the Attorney General's Office (AGO) concerned the proposal by Public Service Company of North Carolina, Inc. (PSNC) to introduce a new rate adjustment mechanism called the Customer Usage Tariff (CUT). Evidence was introduced about the earnings reported in the Commission's Quarterly Review for Piedmont Natural Gas Company, Inc., during the period that Piedmont was authorized to employ a similar CUT mechanism on an experimental basis. The evidence concerning Piedmont's earnings for annual periods ending December 31, 2005, through the then-most recent report dated September 30, 2007 was introduced as Attorney General Cross Exhibit No. 6.

Subsequent to the PSNC evidentiary hearing, on September 5, 2008, the Commission published the Quarterly Review for the period ending December 31, 2007. That report contained as an Appendix revisions to information for Piedmont for the 12-month periods ended September 30, 2007 and June 30, 2007 based on revised NCUC GS-1 Reports for those periods that were filed by Piedmont on May 30, 2008, and on September 4, 2008, respectively. According to the Appendix, revisions were made to earlier periods "in order to reflect Piedmont's modification of its methodology utilized for extracting revenues and costs associated with its secondary market activities." The Appendix indicates that Piedmont's "incorrect methodology resulted in an understatement of its gas costs and an overstatement of margin associated with such transactions."

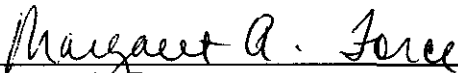
The AGO requests that the updated information about Piedmont's earnings be provided to the record in the PSNC case so that the record is updated and clarified. To that end, Attorney General Late-Filed Exhibit 1 is attached containing pages 8 and 17 from the annual period ending December 31, 2007 and Appendix A, as those pages were published in the September 5, 2008 Quarterly Review.

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In addition, the AGO requests that Late-Filed Exhibit 2 be admitted as it shows the initial and revised earnings information in summary form. The exhibit was prepared by the AGO based on the updated information in attached Late-Filed Exhibit 1 and in Attorney General Cross Exhibit No. 6, and includes the revised and initial rate of return on equity and overall return information for Piedmont for each Quarter Ending period during Piedmont's CUT experiment as reflected in the Quarterly Review reports, and the dates that those reports were published.

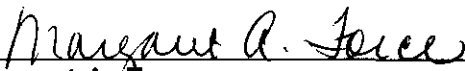
The late-filed exhibits are provided in order to update and clarify the record, and the Attorney General requests that they be admitted so that the parties may use the information in Briefs and Proposed Orders.

Respectfully submitted on this the 19th of September, 2008.


Margaret A. Force
Assistant Attorney General
N.C. Department of Justice
Post Office Box 629
Raleigh, NC 27602
Telephone: (919) 716-6055

CERTIFICATE OF SERVICE

The undersigned certifies that she has served a copy of the foregoing Motion for Admission of Late-Filed Exhibits upon the parties of record in this proceeding by email or hand delivery or by depositing a copy of the same in the United States Mail, postage prepaid this the 19th day of September, 2008.


Margaret A. Force
Assistant Attorney General

**Summary Statement
Of Key Financial Ratios Achieved By
And Authorized For Selected Companies**

"Estimated Returns on Common Equity, Overall Rates of Return,
Common Equity Capitalization Ratios, and Debt Ratios are for Twelve Months Ended December 31, 2007,
Except for Certain Telecommunications Companies - See Note [1]"

"Rate Case Data are from Orders with Various Issue Dates as Indicated in Column (i)"

Line No.	Item (a)	Estimated for 12 Months Ended 12/31/07				Authorized - Last Rate Case			
		Return On Equity (b)	Overall Rate of Return (c)	Equity Ratio (d)	Debt Ratio (e)	Return On Equity (f)	Overall Rate of Return (g)	Equity Ratio (h)	Date of Last Order (i)
Electric Companies									
1.	Carolina Power & Light Company, d/b/a Progress Energy Carolinas, Inc.	10.06%	7.98%	49.29%	49.88%	12.75%	10.45%	44.00%	08/05/1988
2.	Duke Energy Carolinas, LLC	10.75%	8.48%	54.37%	45.63%	11.00%	8.57%	53.00%	12/20/2007
3.	Duke Energy Carolinas, LLC, Nantahala Area, d/b/a Duke Energy - Nantahala Area	5.21%	5.77%	54.37%	45.63%	11.00%	8.57%	53.00%	12/20/2007
4.	Virginia Electric and Power Company, d/b/a Dominion North Carolina Power	3.17%	4.38%	53.02%	40.87%	N/A	N/A	N/A	03/18/2005
Natural Gas Local Distribution Companies									
5.	Piedmont Natural Gas Company, Inc.	9.36%	7.88%	47.97%	52.03%	N/A	9.04%	N/A	11/03/2005
6.	Public Service Company of North Carolina, Inc.	9.16%	7.82%	47.88%	52.14%	N/A	8.90%	N/A	10/23/2006
Telecommunications Companies									
<u>Rate of Return Regulated Companies</u>									
7.	Citizens Telephone Company	3.97%	3.97%	100.00%	0.00%	12.70%	10.11%	44.95%	02/26/1991
8.	LEXCOM Telephone Company	11.95%	11.95%	100.00%	0.00%	16.25%	12.77%	37.22%	06/14/1982
<u>Price Plan Regulated Companies</u>									
--- Data is not available. See Note [1] ---									
9.	BellSouth Telecommunications, Inc., d/b/a AT&T North Carolina								
10.	Carolina Telephone and Telegraph Company LLC								
11.	Central Telephone Company								
12.	MEBTEL Communications								
13.	North State Communications								
14.	Verizon South Inc.								
15.	Windstream Concord Telephone, Inc.								
16.	Windstream North Carolina, LLC								

NOTES:

- [1] Reporting requirement changes for the major price regulated telephone companies were implemented, in response to passage of Senate Bill 814, by Commission Orders dated January 2 and April 16, 2004, in Docket No. P-100, Sub 72b, effective for reporting periods beginning with calendar year 2003. The April 16, 2004 Order approved the Annual Report Proposal submitted, on March 4, 2004, by the major price regulated telephone companies, which effectively superseded the annual TS-1 Report previously required. Consequently, beginning with the 4th quarter 2003 "Quarterly Review", which includes information and data for the 12-month period ending December 31, 2003, earnings and certain other data for the price regulated telephone companies are no longer provided.
- [2] N/A denotes that the data is not available.
- [3] In its March 18, 2005 Order Approving Stipulation, the Commission did not make certain determinations with respect to Dominion North Carolina Power's (Dominion's) capital structure and rates of return. The Commission concluded that the stipulation presented an appropriate resolution of the contested matters in the rate case proceeding and resulted in just and reasonable rates for Dominion, without making specific findings regarding rate base, operating revenues and expenses, the overall rate of return, and the return on common equity.
- [4] In its November 3, 2005 Order Approving Partial Rate Increase and Requiring Conservation Initiative, the Commission authorized the consolidation of the operations, revenues, rate bases, and expenses of North Carolina Natural Gas, Piedmont Natural Gas Company, Inc., and Eastern North Carolina Natural Gas into a single regulated entity. In said Order, the Commission made specific findings regarding the combined rate bases, operating revenues and expenses, and the overall rate of return; however, specific findings relating to the combined capital structure and return on common equity were not provided therein.
- [5] Effective with the December 2005 NCUC GS-1 Report, financial and operational information for Piedmont Natural Gas Company, Inc., North Carolina Natural Gas, and Eastern North Carolina Natural Gas are reported as one consolidated entity under the name, Piedmont Natural Gas Company, Inc.
- [6] In its October 23, 2006 Order Approving Partial Rate Increase, the Commission made specific findings regarding rate base, operating revenues and expenses, and the overall rate of return for Public Service Company of North Carolina, Inc.; however, specific findings relating to the capital structure and return on common equity were not provided therein.

PIEDMONT NATURAL GAS COMPANY, INC.
SELECTED FINANCIAL AND OPERATIONAL DATA
North Carolina Jurisdiction
(Amounts in Thousands)

Line No.	Item (a)	12 Months Ended			Annual Growth Rate	
		December 2007 (b)	December 2008 (c)	December 2009 (d)	Two Year (e)	Current Year (f)
1.	Operating Revenue:					
2.	Residential	\$500,929	\$522,817	\$551,072	-4.66%	-4.19%
3.	Commercial	280,823	296,863	322,049	-8.62%	-5.40%
4.	Industrial	101,276	102,819	125,516	-10.53%	-1.31%
5.	Public Authorities	395	394	409	-1.73%	0.25%
6.	Other	87,231	76,248	104,288	-8.54%	14.40%
7.	Total Operating Revenue	<u>970,654</u>	<u>998,941</u>	<u>1,104,332</u>	<u>-6.25%</u>	<u>-2.63%</u>
8.	Cost of Gas	<u>622,492</u>	<u>630,030</u>	<u>763,710</u>	<u>-9.72%</u>	<u>-1.20%</u>
9.	Margin	348,162	368,911	340,622	1.10%	-5.82%
10.	O & M Expenses	149,804	151,414	145,027	1.63%	-1.06%
11.	Other Deductions	<u>106,272</u>	<u>115,542</u>	<u>107,252</u>	<u>-0.46%</u>	<u>-8.02%</u>
12.	Operating Income	<u>\$92,086</u>	<u>\$101,955</u>	<u>\$88,343</u>	<u>2.10%</u>	<u>-9.68%</u>
13.	Net Plant Investment	<u>\$1,457,759</u>	<u>\$1,373,200</u>	<u>\$1,287,132</u>	<u>6.42%</u>	<u>5.18%</u>
14.	Operating Exp. as a % of Margin	43.03%	41.04%	42.58%	0.53%	4.85%
15.	Net Pft. Investment per \$ of Margin	\$4.19	\$3.72	\$3.76	5.26%	12.63%
16.	Gas Delivered in DTs (000s omitted):					
17.	Residential	33,108	31,774	36,829	-5.19%	4.20%
18.	Commercial	23,042	22,368	24,814	-3.25%	3.01%
19.	Industrial	10,489	9,770	11,545	-4.68%	7.36%
20.	Public Authorities	30	29	32	-3.18%	3.45%
21.	Other	<u>89,783</u>	<u>81,538</u>	<u>78,613</u>	<u>6.87%</u>	<u>10.11%</u>
22.	Total DTs	<u>156,452</u>	<u>145,477</u>	<u>151,633</u>	<u>1.58%</u>	<u>7.54%</u>
23.	Number of Customers (000s Included):					
24.	Residential	588,939	575,991	557,850	2.84%	2.42%
25.	Commercial	63,751	63,207	62,415	1.06%	0.86%
26.	Industrial	1,724	1,738	1,748	-0.68%	-0.81%
27.	Public Authorities	571	571	571	0.00%	0.00%
28.	Other	<u>553</u>	<u>557</u>	<u>568</u>	<u>-1.33%</u>	<u>-0.72%</u>
29.	Total Number of Customers	<u>655,538</u>	<u>642,084</u>	<u>623,152</u>	<u>2.64%</u>	<u>2.25%</u>
30.	Estimated Overall Rate of Return	7.88%	9.31%	8.56%	-4.05%	-15.36%
31.	Estimated Return on Common Equity	9.36%	12.25%	10.36%	-4.95%	-23.59%
32.	Common Equity Ratio	47.97%	49.07%	53.82%	-5.59%	-2.24%
33.	Debt Ratio	52.03%	50.93%	46.18%	6.15%	2.16%
34.	Estimated Pretax Interest Coverage Ratio (Times)	3.18	4.00	4.10	-11.93%	-20.50%
35.	LAST RATE CASE	Authorized Returns: Common Equity - N/A, Overall 9.04%; Equity Ratio: N/A; Date of Order: 11-03-05				
	(Docket No. G-9, Sub 499)					

Notes: [1] North Carolina retail jurisdictional revenue equates to 58% of total company gas utility revenue.

[2] Net Plant Investment reflects net plant in service.

[3] Source of Data: Shareholders' reports and the NCUC GS-1 Reports.

[4] In its November 3, 2005 Order Approving Partial Rate Increase and Requiring Conservation Initiative, the Commission authorized the consolidation of the operations, revenues, rate bases, and expenses of North Carolina Natural Gas, Piedmont Natural Gas Company, Inc., and Eastern North Carolina Natural Gas into a single regulated entity. Consequently, effective with the December 2005 NCUC GS-1 Report, financial and operational information for Piedmont Natural Gas Company, Inc., North Carolina Natural Gas, and Eastern North Carolina Gas are reported as one consolidated entity under the name, Piedmont Natural Gas Company, Inc. and consequently, comparisons to prior years are not meaningful.

September 5, 2008

MEMORANDUM

TO: Chairman Edward S. Finley, Jr.
Commissioner Robert V. Owens, Jr.
Commissioner Sam J. Ervin, IV
Commissioner Lorinzo L. Joyner
Commissioner Howard N. Lee
Commissioner William T. Culpepper, III

FROM: Donald R. Hoover, Director *DRH*
Operations Division

SUBJECT: *Quarterly Review* Revisions

On May 13, 2008, Piedmont Natural Gas Company, Inc. (Piedmont) provided revisions to the Commission indicating that it was necessary to revise certain information included in its previously submitted NCUC GS-1 Report, for the 12-month period ended September 30, 2007. Consequently, revisions to certain information contained in the *Quarterly Review* for the aforementioned 12-month period is necessary, in order to reflect Piedmont's modification of its methodology utilized for extracting revenues and costs associated with its secondary market activities. Piedmont's use of an incorrect methodology resulted in an understatement of its gas costs and an overstatement of margin associated with such transactions. Such methodological modification also necessitated a revision to its previously submitted GS-1 Report for the 12-month period ended June 30, 2007.

On May 30, 2008 and on September 4, 2008, Piedmont provided to the Commission revised NCUC GS-1 Reports for the 12-month periods ended September 30, 2007 and June 30, 2007, respectively, to reflect its corrections to purchased gas costs. Those changes have now been reflected in the attached revised pages of the applicable *Quarterly Reviews*. Furthermore, data contained in *Quarterly Reviews* issued subsequent to the 12-month period ended September 30, 2007, will reflect such revisions, where applicable.

Should you have questions concerning this matter, Freda Hilburn, Bliss Kite, or I will be pleased to be of assistance.

Thank you for your consideration.

DRH/FHH/BBK/kah

Attachments (2)

Revised 06/06/2008

PIEDMONT NATURAL GAS COMPANY, INC.
SELECTED FINANCIAL AND OPERATIONAL DATA
North Carolina Jurisdiction
(Amounts in Thousands)

Line No.	Item (a)	12 Months Ended		Annual Growth Rate Current Year (d)
		June 2007 (b)	June 2006 (c)	
1.	Operating Revenue:			
2.	Residential	\$524,220	\$573,126	-8.53%
3.	Commercial	294,891	337,819	-12.71%
4.	Industrial	101,572	134,114	-24.26%
5.	Public Authorities	398	437	-8.92%
6.	Resale	9	7,437	-99.88%
7.	Other	<u>83,308</u>	<u>78,079</u>	<u>6.70%</u>
8.	Total Operating Revenue	<u>1,004,398</u>	<u>1,131,009</u>	<u>-11.19%</u>
9.	Cost of Gas	<u>652,315</u>	<u>771,745</u>	<u>-15.48%</u>
10.	Margin	352,083	359,264	-2.00%
11.	O & M Expenses	146,434	152,145	-3.75%
12.	Other Deductions	<u>109,935</u>	<u>111,737</u>	<u>-1.61%</u>
13.	Operating Income	<u>\$85,714</u>	<u>\$95,382</u>	<u>9.35%</u>
14.	Net Plant Investment	<u>\$1,406,162</u>	<u>\$1,311,582</u>	<u>7.36%</u>
15.	Operating Exp. as a % of Margin	41.59%	42.35%	-1.79%
16.	Net Plt. Investment per \$ of Margin	\$4.00	\$3.55	9.58%
17.	Gas Delivered in DTs (000s omitted):			
18.	Residential	34,753	32,446	7.11%
19.	Commercial	24,170	22,994	5.11%
20.	Industrial	10,334	11,351	-8.96%
21.	Public Authorities	30	30	0.00%
22.	Resale	0	538	N/A
23.	Other	<u>85,984</u>	<u>75,191</u>	<u>14.33%</u>
24.	Total DTs	<u>155,251</u>	<u>142,550</u>	<u>8.91%</u>
25.	Number of Customers (000s included):			
26.	Residential	575,683	564,043	2.06%
27.	Commercial	63,203	62,643	0.89%
28.	Industrial	1,739	1,748	-0.51%
29.	Public Authorities	571	571	0.00%
30.	Resale	1	2	-50.00%
31.	Other	<u>547</u>	<u>584</u>	<u>-3.01%</u>
32.	Total Number of Customers	<u>841,744</u>	<u>829,571</u>	<u>1.93%</u>
33.	Estimated Overall Rate of Return	8.54%	8.91%	-4.15%
34.	Estimated Return on Common Equity	10.51%	11.23%	-6.41%
35.	Common Equity Ratio	48.97%	51.71%	-5.30%
36.	Debt Ratio	51.03%	48.29%	5.67%
37.	Estimated Pretax Interest Coverage Ratio (Times)	3.50	4.10	-14.83%
38.	LAST RATE CASE (Docket No. G-8, Sub 498)	Authorized Returns: Common Equity - N/A, Overall 9.04%; Equity Ratio: N/A; Date of Order: 11-03-05		

Notes: [1] North Carolina retail jurisdictional revenue equates to 58% of total company gas utility revenue.
[2] Net Plant Investment reflects net plant in service.
[3] Source of Data: Shareholders' reports and the NCUC GS-1 Reports.
[4] In its November 3, 2005 Order Approving Partial Rate Increase and Requiring Conservation Initiative, the Commission authorized the consolidation of the operations, revenues, rate bases, and expenses of North Carolina Natural Gas, Piedmont Natural Gas Company, Inc., and Eastern North Carolina Natural Gas into a single regulated entity. Consequently, effective with the December 2005 NCUC GS-1 Report, financial and operational information for Piedmont Natural Gas Company, Inc., North Carolina Natural Gas, and Eastern North Carolina Gas are reported as one consolidated entity under the name, Piedmont Natural Gas Company, Inc. and consequently, comparisons to prior years are not meaningful.
[5] N/A denotes that the data is not available or not applicable or that information is, essentially, unmeaningful.
[6] Columns (b) and (d) have been revised from those previously reported in the Commission's *Quarterly Review*, for the quarter ending June 30, 2007, issued on November 5, 2007, to reflect corrected purchased gas costs, as provided by Piedmont on September 4, 2008. Such revisions primarily result from Piedmont's modification of its methodology for extracting revenues and costs associated with secondary market activities.

Revised 08/06/2008

PIEDMONT NATURAL GAS COMPANY, INC.
SELECTED FINANCIAL AND OPERATIONAL DATA
North Carolina Jurisdiction
(Amounts in Thousands)

Line No.	Item (a)	12 Months Ended		Annual Growth Rate Current Year (d)
		September 2007 (b)	September 2006 (c)	
1.	Operating Revenue:			
2.	Residential	\$523,463	\$578,173	-9.46%
3.	Commercial	294,940	342,590	-13.81%
4.	Industrial	100,459	127,842	-21.42%
5.	Public Authorities	397	444	-10.59%
6.	Resale	9	2,276	-99.60%
7.	Other	<u>84,766</u>	<u>83,853</u>	<u>1.09%</u>
8.	Total Operating Revenue	<u>1,004,034</u>	<u>1,135,178</u>	<u>-11.55%</u>
9.	Cost of Gas	<u>658,282</u>	<u>771,413</u>	<u>-14.87%</u>
10.	Margin	345,752	363,765	-4.95%
11.	O & M Expenses	147,633	152,609	-3.28%
12.	Other Deductions	<u>106,280</u>	<u>113,358</u>	<u>-6.26%</u>
13.	Operating Income	<u>\$81,859</u>	<u>\$87,798</u>	<u>-6.07%</u>
14.	Net Plant Investment	<u>\$1,404,281</u>	<u>\$1,310,536</u>	<u>7.15%</u>
15.	Operating Exp. as a % of Margin	42.70%	41.95%	1.79%
16.	Net Plt. Investment per \$ of Margin	\$4.08	\$3.60	12.78%
17.	Gas Delivered in DTs (000s omitted):			
18.	Residential	34,736	32,639	6.42%
19.	Commercial	24,423	23,282	4.89%
20.	Industrial	10,334	10,810	-4.40%
21.	Public Authorities	30	30	0.00%
22.	Resale	0	197	N/A
23.	Other	<u>87,621</u>	<u>78,410</u>	<u>11.75%</u>
24.	Total DTs	<u>157,144</u>	<u>145,348</u>	<u>8.12%</u>
25.	Number of Customers (000s included):			
26.	Residential	569,801	555,582	2.56%
27.	Commercial	62,334	61,786	0.82%
28.	Industrial	1,722	1,722	0.00%
29.	Public Authorities	571	571	0.00%
30.	Resale	0	1	N/A
31.	Other	<u>0</u>	<u>568</u>	<u>N/A</u>
32.	Total Number of Customers	<u>634,428</u>	<u>620,180</u>	<u>2.30%</u>
33.	Estimated Overall Rate of Return	8.01%	9.02%	-11.20%
34.	Estimated Return on Common Equity	9.54%	11.58%	-17.62%
35.	Common Equity Ratio	48.44%	50.24%	-3.58%
36.	Debt Ratio	51.56%	49.76%	3.62%
37.	Estimated Pretax Interest Coverage Ratio (Times)	3.25	4.00	-18.75%
38.	LAST RATE CASE (Docket No. G-9, Sub 499)	Authorized Returns: Common Equity - N/A, Overall 9.04%; Equity Ratio: N/A; Date of Order: 11-03-05		

- Notes: [1] North Carolina retail jurisdictional revenue equates to 58% of total company gas utility revenue.
[2] Net Plant Investment reflects net plant in service.
[3] Source of Data: Shareholders' reports and the NCUC GS-1 Reports.
[4] In its November 3, 2005 Order Approving Partial Rate Increase and Requiring Conservation Initiative, the Commission authorized the consolidation of the operations, revenues, rate bases, and expenses of North Carolina Natural Gas, Piedmont Natural Gas Company, Inc., and Eastern North Carolina Natural Gas into a single regulated entity. Consequently, effective with the December 2005 NCUC GS-1 Report, financial and operational information for Piedmont Natural Gas Company, Inc., North Carolina Natural Gas, and Eastern North Carolina Gas are reported as one consolidated entity under the name, Piedmont Natural Gas Company, Inc. and consequently, comparisons to prior years are not meaningful.
[5] N/A denotes that the data is not available or not applicable or that information is, essentially, unmeaningful.
[6] Columns (b) and (d) have been revised from those previously reported in the Commission's *Quarterly Review*, for the quarter ending September 30, 2007, issued on February 12, 2008, to reflect corrected purchased gas costs, as provided by Piedmont on May 30, 2008. Such revisions primarily result from Piedmont's modification of its methodology for extracting revenues and costs associated with secondary market activities.

ATTORNEY GENERAL LATE-FILED EXHIBIT 2

Piedmont Return on Equity and Overall Rate of Return "Quarterly Review"

	<u>Date Published</u>	<u>Quarter Ending</u>	<u>Return on Equity</u>	<u>Overall Return</u>
	9/27/2006	12/31/2005	10.36%	8.56%
	11/9/2006	3/31/2006	11.00%	8.89%
	12/18/2006	6/30/2006	11.23%	8.91%
	3/1/2007	9/30/2006	11.58%	9.02%
	8/8/2007	12/31/2006	12.25%	9.31%
	9/14/2007	3/31/2007	12.15%	9.33%
	11/5/2007	6/30/2007	12.08%	9.31%
	2/12/2008	9/30/2007	11.81%	9.11%
Revised	9/5/2008	6/30/2007	10.51%	8.54%
Revised	9/5/2008	9/30/2007	9.54%	8.01%
	9/5/2008	12/31/2007	9.36%	7.88%