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INFORMATION SHEET

PRESIDING: Commissioner Brown-Bland, Presiding; Chairman Finley; and Commissioners Beatty, Bailey, Dockham, Patterson and Gray
PLACE: Dobbs Building, Raleigh, NC
DATE: August 30, 2016
TIME: 10:00 a.m. – 12:15 a.m.
DOCKET NO.: G-5, Sub 565
COMPANY: Public Service Company of North Carolina, Inc.
DESCRIPTION: Application for a General Increase in Its Rates and Charges.
VOLUME: 5

FILED
SEP 02 2016
Clerk's Office
N.C. Utilities Commission

APPEARANCES

FOR PSNC:

Mary Lynne Grigg, Esq.
Craig Collins, Esq.
William R. Pittman, Esq.

FOR CAROLINA UTILITY CUSTOMERS ASSOCIATION, INC.:

Robert F. Page, Esq.

FOR BLUE PAPER & PRODUCTS, INC., d/b/a EVERGREEN PACKAGING:

Adam Olls, Esq.

FOR THE USING AND CONSUMING PUBLIC:

Gina C. Holt, Esq.
William E. Grantmyre, Esq.
Heather Fennell, Esq.
Margaret Force, Esq. – Attorney General's Office

WITNESSES

Jimmy E. Addison
Robert B. Hevert

PREFILED TESTIMONY OF:

Russell D. Harris
James A. Spaulding
John J. Spanos

EXHIBITS

Spaulding Exhibit 1 (I/A)

JJS-1, JJS-2 and JJS-3 (I/A)

Amended Stipulation (A)

AG Addison Cross Exhibits 1 & 2 (I/A)

Exhibits RBH-1 through RBH-13 (I)

Confidential AG Addison Cross Exhibit 3 (I/A)

Supplemental Exhibits RBH-1 & RBH-2 (I)

AG Hevert Cross Exhibits 1 – 3 (I)

COPIES ORDERED: E-mail: Force, Boswell, Perry, Hoard, Larsen Patel, Grantmyre, Holt and Fennell

REPORTED BY: Kim Mitchell

TRANSCRIBED BY: Kim Mitchell

DATE TRANSCRIBED: September 1, 2016

TRANSCRIPT PAGES: 124

PREFILED PAGES: 140

TOTAL PAGES: 264

PROPOSED PSNC DISTRIBUTION INTEGRITY MANAGEMENT DEFERRALS

Actuals

2015 2016 2017 2018 2019 2020 TOTAL

Inspections/Practices								
1	Sewer crossbore inspections	\$13,850	\$25,000	\$1,950,000	\$3,900,000	\$3,900,000	\$3,900,000	\$13,675,000
2	Contract locating (project specific demands)	\$90,165	\$1,611,018	\$1,800,000	\$1,800,000	\$900,000	\$900,000	\$7,011,018
3	Protections for above-ground facilities (larger installations -	\$0	\$0	\$60,000	\$60,000	\$60,000	\$60,000	\$240,000
4	Physical meter/station Barriers (bollards, etc.)	\$0	\$0	\$15,000	\$15,000	\$15,000	\$15,000	\$60,000
5	Replace Dresser Fittings	\$0	\$0	\$10,000	\$40,000	\$40,000	\$40,000	\$130,000
6	Tracer Wire Analysis Program - Non-locateable Pipe	\$0	\$0	\$50,000	\$100,000	\$100,000	\$100,000	\$350,000
Enhanced Cathodic Protection on System								
7	Station risers inspection program	\$0	\$0	\$0	\$50,000	\$50,000	\$50,000	\$150,000
8	Meter Painting Program	\$0	\$0	\$150,000	\$150,000	\$150,000	\$150,000	\$600,000
9	Adding CP Test Stations	\$0	\$0	\$50,000	\$50,000	\$50,000	\$50,000	\$200,000
10	Anode Replacement Program	\$0	\$0	\$25,000	\$100,000	\$100,000	\$100,000	\$325,000
11	Add Remote Monitor Systems on Rectifiers	\$0	\$0	\$16,000	\$32,000	\$32,000	\$16,000	\$96,000
12	Modeling CP Effectiveness	\$0	\$0	\$0	\$50,000	\$50,000	\$50,000	\$150,000
Safety Communications - Public Awareness								
13	Public Awareness communications	\$167,203	\$167,203	\$167,203	\$167,203	\$167,203	\$167,203	\$836,014
14	Digital awareness/education campaign	\$191,024	\$240,000	\$300,000	\$300,000	\$300,000	\$300,000	\$1,440,000
15	Contract damage prevention & safety messaging	\$0	\$0	\$100,000	\$100,000	\$100,000	\$100,000	\$400,000
Damage Prevention								
16	Locate Ticket Risk Model	\$0	\$0	\$10,000	\$10,000	\$10,000	\$10,000	\$40,000
17	Excavator Field Audits/Inspections	\$0	\$0	\$200,000	\$200,000	\$200,000	\$200,000	\$800,000
18	Locate Ticket QA/QC	\$0	\$0	\$25,000	\$25,000	\$25,000	\$25,000	\$100,000
Enhanced Distribution Integrity Technologies - Technologies/Data Integration								
19	GIS services layer project	\$0	\$0	\$0	\$300,000	\$300,000	\$275,000	\$875,000
20	Distribution MAOP Validation	\$0	\$0	\$0	\$75,000	\$50,000	\$50,000	\$175,000
Enhanced Distribution Integrity Technologies - Pipeline Safety Management System								
21	Policies and Procedures	\$12,893	\$0	\$25,000	\$25,000	\$25,000	\$25,000	\$100,000
22	DIMP audit/program review/roadmap/rewrite	\$5,750	\$100,000	\$0	\$0	\$0	\$0	\$100,000
TOTALS		\$480,884	\$2,143,221	\$4,953,203	\$7,549,203	\$6,624,203	\$6,583,203	\$27,853,032

I/A

JOHN J. SPANOS

DEPRECIATION EXPERIENCE

1 Q. PLEASE STATE YOUR NAME.

2 A. My name is John J. Spanos.

3 Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

4 A. I have Bachelor of Science degrees in Industrial Management and
5 Mathematics from Carnegie-Mellon University and a Master of Business
6 Administration from York College.

7 Q. DO YOU BELONG TO ANY PROFESSIONAL SOCIETIES?

8 A. Yes. I am a member and past President of the Society of Depreciation
9 Professionals and a member of the American Gas Association/Edison Electric
10 Institute Industry Accounting Committee.

11 Q. DO YOU HOLD ANY SPECIAL CERTIFICATION AS A DEPRECIATION
12 EXPERT?

13 A. Yes. The Society of Depreciation Professionals has established national
14 standards for depreciation professionals. The Society administers an
15 examination to become certified in this field. I passed the certification exam
16 in September 1997 and was recertified in August 2003, February 2008 and
17 January 2013.

18 Q. PLEASE OUTLINE YOUR EXPERIENCE IN THE FIELD OF
19 DEPRECIATION.

20 A. In June, 1986, I was employed by Gannett Fleming Valuation and Rate
21 Consultants, Inc. as a Depreciation Analyst. During the period from June,
22 1986 through December, 1995, I helped prepare numerous depreciation and

1 original cost studies for utility companies in various industries. I helped
2 perform depreciation studies for the following telephone companies: United
3 Telephone of Pennsylvania, United Telephone of New Jersey, and Anchorage
4 Telephone Utility. I helped perform depreciation studies for the following
5 companies in the railroad industry: Union Pacific Railroad, Burlington
6 Northern Railroad, and Wisconsin Central Transportation Corporation.

7 I helped perform depreciation studies for the following organizations
8 in the electric utility industry: Chugach Electric Association, The Cincinnati
9 Gas and Electric Company (CG&E), The Union Light, Heat and Power
10 Company (ULH&P), Northwest Territories Power Corporation, and the City
11 of Calgary - Electric System.

12 I helped perform depreciation studies for the following pipeline
13 companies: TransCanada Pipelines Limited, Trans Mountain Pipe Line
14 Company Ltd., Interprovincial Pipe Line Inc., Nova Gas Transmission
15 Limited and Lakehead Pipeline Company.

16 I helped perform depreciation studies for the following gas utility
17 companies: Columbia Gas of Pennsylvania, Columbia Gas of Maryland, The
18 Peoples Natural Gas Company, T. W. Phillips Gas & Oil Company, CG&E,
19 ULH&P, Lawrenceburg Gas Company and Penn Fuel Gas, Inc.

20 I helped perform depreciation studies for the following water utility
21 companies: Indiana-American Water Company, Consumers Pennsylvania
22 Water Company and The York Water Company; and depreciation and original
23 cost studies for Philadelphia Suburban Water Company and Pennsylvania-
24 American Water Company.

1 In each of the above studies, I assembled and analyzed historical and
2 simulated data, performed field reviews, developed preliminary estimates of
3 service life and net salvage, calculated annual depreciation, and prepared
4 reports for submission to state public utility commissions or federal regulatory
5 agencies. I performed these studies under the general direction of William M.
6 Stout, P.E.

7 In January, 1996, I was assigned to the position of Supervisor of
8 Depreciation Studies. In July, 1999, I was promoted to the position of
9 Manager, Depreciation and Valuation Studies. In December, 2000, I was
10 promoted to the position as Vice-President of Gannett Fleming Valuation and
11 Rate Consultants, Inc. and in April 2012, I was promoted to my present
12 position as Senior Vice President of the Valuation and Rate Division of
13 Gannett Fleming Inc. (now doing business as Gannett Fleming Valuation and
14 Rate Consultants, LLC). In my current position I am responsible for
15 conducting all depreciation, valuation and original cost studies, including the
16 preparation of final exhibits and responses to data requests for submission to
17 the appropriate regulatory bodies.

18 Since January 1996, I have conducted depreciation studies similar to
19 those previously listed including assignments for Pennsylvania-American
20 Water Company; Aqua Pennsylvania; Kentucky-American Water Company;
21 Virginia-American Water Company; Indiana-American Water Company;
22 Hampton Water Works Company; Omaha Public Power District; Enbridge
23 Pipe Line Company; Inc.; Columbia Gas of Virginia, Inc.; Virginia Natural
24 Gas Company National Fuel Gas Distribution Corporation - New York and

1 Pennsylvania Divisions; The City of Bethlehem - Bureau of Water; The City
2 of Coatesville Authority; The City of Lancaster - Bureau of Water; Peoples
3 Energy Corporation; The York Water Company; Public Service Company of
4 Colorado; Enbridge Pipelines; Enbridge Gas Distribution, Inc.; Reliant
5 Energy-HLP; Massachusetts-American Water Company; St. Louis County
6 Water Company; Missouri-American Water Company; Chugach Electric
7 Association; Alliant Energy; Oklahoma Gas & Electric Company; Nevada
8 Power Company; Dominion Virginia Power; NUI-Virginia Gas Companies;
9 Pacific Gas & Electric Company; PSI Energy; NUI - Elizabethtown Gas
10 Company; Cinergy Corporation – CG&E; Cinergy Corporation – ULH&P;
11 Columbia Gas of Kentucky; South Carolina Electric & Gas Company; Idaho
12 Power Company; El Paso Electric Company; Aqua North Carolina; Aqua
13 Ohio; Aqua Texas, Inc.; Ameren Missouri; Central Hudson Gas & Electric;
14 Centennial Pipeline Company; CenterPoint Energy-Arkansas; CenterPoint
15 Energy – Oklahoma; CenterPoint Energy – Entex; CenterPoint Energy -
16 Louisiana; NSTAR – Boston Edison Company; Westar Energy, Inc.; United
17 Water Pennsylvania; PPL Electric Utilities; PPL Gas Utilities; Wisconsin
18 Power & Light Company; TransAlaska Pipeline; Avista Corporation;
19 Northwest Natural Gas; Allegheny Energy Supply, Inc.; Public Service
20 Company of North Carolina; South Jersey Gas Company; Duquesne Light
21 Company; MidAmerican Energy Company; Laclede Gas; Duke Energy
22 Company; E.ON U.S. Services Inc.; Elkton Gas Services; Anchorage Water
23 and Wastewater Utility; Kansas City Power and Light; Duke Energy North
24 Carolina; Duke Energy South Carolina; Monongahela Power Company;

1 Potomac Edison Company; Duke Energy Ohio Gas; Duke Energy Kentucky;
2 Duke Energy Indiana; Northern Indiana Public Service Company; Tennessee-
3 American Water Company; Columbia Gas of Maryland; Bonneville Power
4 Administration; NSTAR Electric and Gas Company; EPCOR Distribution,
5 Inc.; B. C. Gas Utility, Ltd; Entergy Arkansas; Entergy Texas; Entergy
6 Mississippi; Entergy Louisiana; Entergy Gulf States Louisiana; the Borough
7 of Hanover; Louisville Gas and Electric Company; Kentucky Utilities
8 Company; Madison Gas and Electric; Central Maine Power; PEPCO;
9 PacifiCorp; Minnesota Energy Resource Group; Jersey Central Power & Light
10 Company; Cheyenne Light, Fuel and Power Company; United Water
11 Arkansas; Central Vermont Public Service Corporation; Green Mountain
12 Power; Portland General Electric Company; Atlantic City Electric; Nicor Gas
13 Company; Black Hills Power; Black Hills Colorado Gas; Black Hills Kansas
14 Gas; Black Hills Service Company; Black Hills Utility Holdings; Public
15 Service Company of Oklahoma; City of Dubois; Peoples Gas Light and Coke
16 Company; North Shore Gas Company; Connecticut Light and Power; New
17 York State Electric and Gas Corporation; Rochester Gas and Electric
18 Corporation and Greater Missouri Operations. My additional duties include
19 determining final life and salvage estimates, conducting field reviews,
20 presenting recommended depreciation rates to management for its
21 consideration and supporting such rates before regulatory bodies.

1 Q. HAVE YOU SUBMITTED TESTIMONY TO ANY STATE UTILITY
2 COMMISSION ON THE SUBJECT OF UTILITY PLANT
3 DEPRECIATION?

4 A. Yes. I have submitted testimony to the Pennsylvania Public Utility
5 Commission; the Commonwealth of Kentucky Public Service Commission;
6 the Public Utilities Commission of Ohio; the Nevada Public Utility
7 Commission; the Public Utilities Board of New Jersey; the Missouri Public
8 Service Commission; the Massachusetts Department of Telecommunications
9 and Energy; the Alberta Energy & Utility Board; the Idaho Public Utility
10 Commission; the Louisiana Public Service Commission; the State Corporation
11 Commission of Kansas; the Oklahoma Corporate Commission; the Public
12 Service Commission of South Carolina; Railroad Commission of Texas – Gas
13 Services Division; the New York Public Service Commission; Illinois
14 Commerce Commission; the Indiana Utility Regulatory Commission; the
15 California Public Utilities Commission; the Federal Energy Regulatory
16 Commission (“FERC”); the Arkansas Public Service Commission; the Public
17 Utility Commission of Texas; Maryland Public Service Commission;
18 Washington Utilities and Transportation Commission; The Tennessee
19 Regulatory Commission; the Regulatory Commission of Alaska; Minnesota
20 Public Utility Commission; Utah Public Service Commission; District of
21 Columbia Public Service Commission; the Mississippi Public Service
22 Commission; Delaware Public Service Commission; Virginia State
23 Corporation Commission; Colorado Public Utility Commission; Oregon
24 Public Utility Commission; South Dakota Public Utilities Commission;

1 Wisconsin Public Service Commission; Wyoming Public Service
2 Commission; Maine Public Utility Commission; Iowa Utility Board;
3 Connecticut Public Utilities Regulatory Authority; New Mexico Public
4 Regulation Commission and the North Carolina Utilities Commission.

5 Q. HAVE YOU HAD ANY ADDITIONAL EDUCATION RELATING TO
6 UTILITY PLANT DEPRECIATION?

7 A. Yes. I have completed the following courses conducted by Depreciation
8 Programs, Inc.: "Techniques of Life Analysis," "Techniques of Salvage and
9 Depreciation Analysis," "Forecasting Life and Salvage," "Modeling and Life
10 Analysis Using Simulation," and "Managing a Depreciation Study." I have
11 also completed the "Introduction to Public Utility Accounting" program
12 conducted by the American Gas Association.

13 Q. DOES THIS CONCLUDE YOUR QUALIFICATION STATEMENT?

14 A. Yes.

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
01.	1998	PA PUC	R-00984375	City of Bethlehem – Bureau of Water	Original Cost and Depreciation
02.	1998	PA PUC	R-00984567	City of Lancaster	Original Cost and Depreciation
03.	1999	PA PUC	R-00994605	The York Water Company	Depreciation
04.	2000	D.T.&E.	DTE 00-105	Massachusetts-American Water Company	Depreciation
05.	2001	PA PUC	R-00016114	City of Lancaster	Original Cost and Depreciation
06.	2001	PA PUC	R-00017236	The York Water Company	Depreciation
07.	2001	PA PUC	R-00016339	Pennsylvania-American Water Company	Depreciation
08.	2001	OH PUC	01-1228-GA-AIR	Cinergy Corp – Cincinnati Gas & Elect Co.	Depreciation
09.	2001	KY PSC	2001-092	Cinergy Corp – Union Light, Heat & Power Co.	Depreciation
10.	2002	PA PUC	R-00016750	Philadelphia Suburban Water Company	Depreciation
11.	2002	KY PSC	2002-00145	Columbia Gas of Kentucky	Depreciation
12.	2002	NJ BPU	GF02040245	NUI Corporation/Elizabethtown Gas Co.	Depreciation
13.	2002	ID PUC	IPC-E-03-7	Idaho Power Company	Depreciation
14.	2003	PA PUC	R-0027975	The York Water Company	Depreciation
15.	2003	IN URC	R-0027975	Cinergy Corp – PSI Energy, Inc.	Depreciation
16.	2003	PA PUC	R-00038304	Pennsylvania-American Water Co.	Depreciation
17.	2003	MO PSC	WR-2003-0500	Missouri-American Water Co.	Depreciation
18.	2003	FERC	ER-03-1274-000	NSTAR-Boston Edison Company	Depreciation
19.	2003	NJ BPU	BPU 03080683	South Jersey Gas Company	Depreciation
20.	2003	NV PUC	03-10001	Nevada Power Company	Depreciation
21.	2003	LA PSC	U-27676	CenterPoint Energy – Arkla	Depreciation
22.	2003	PA PUC	R-00038805	Pennsylvania Suburban Water Company	Depreciation
23.	2004	AB En/Util Bd	1306821	EPCOR Distribution, Inc.	Depreciation
24.	2004	PA PUC	R-00038168	National Fuel Gas Distribution Corp (PA)	Depreciation
25.	2004	PA PUC	R-00049255	PPL Electric Utilities	Depreciation
26.	2004	PA PUC	R-00049165	The York Water Company	Depreciation
27.	2004	OK Corp Cm	PUC 200400187	CenterPoint Energy – Arkla	Depreciation
28.	2004	OH PUC	04-680-El-AIR	Cinergy Corp. – Cincinnati Gas and Electric Company	Depreciation

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
29.	2004	RR Com of TX	GUD#	CenterPoint Energy – Entex Gas Services Div.	Depreciation
30.	2004	NY PUC	04-G-1047	National Fuel Gas Distribution Gas (NY)	Depreciation
31.	2004	AR PSC	04-121-U	CenterPoint Energy – Arkla	Depreciation
32.	2005	IL CC	05-	North Shore Gas Company	Depreciation
33.	2005	IL CC	05-	Peoples Gas Light and Coke Company	Depreciation
34.	2005	KY PSC	2005-00042	Union Light Heat & Power	Depreciation
35.	2005	IL CC	05-0308	MidAmerican Energy Company	Depreciation
36.	2005	MO PSC	GF-2005	Laclede Gas Company	Depreciation
37.	2005	KS CC	05-WSEE-981-RTS	Westar Energy	Depreciation
38.	2005	RR Com of TX	GUD #	CenterPoint Energy – Entex Gas Services Div.	Depreciation
39.	2005	FERC		Cinergy Corporation	Accounting
40.	2005	OK CC	PUD 200500151	Oklahoma Gas and Electric Co.	Depreciation
41.	2005	MA Dept Tele- com & Ergy	DTE 05-85	NSTAR	Depreciation
42.	2005	NY PUC	05-E-934/05-G-0935	Central Hudson Gas & Electric Co.	Depreciation
43.	2005	AK Reg Com	U-04-102	Chugach Electric Association	Depreciation
44.	2005	CA PUC	A05-12-002	Pacific Gas & Electric	Depreciation
45.	2006	PA PUC	R-00051030	Aqua Pennsylvania, Inc.	Depreciation
46.	2006	PA PUC	R-00051178	T.W. Phillips Gas and Oil Co.	Depreciation
47.	2006	NC Util Cm.		Pub. Service Co. of North Carolina	Depreciation
48.	2006	PA PUC	R-00051167	City of Lancaster	Depreciation
49.	2006	PA PUC	R00061346	Duquesne Light Company	Depreciation
50.	2006	PA PUC	R-00061322	The York Water Company	Depreciation
51.	2006	PA PUC	R-00051298	PPL GAS Utilities	Depreciation
52.	2006	PUC of TX	32093	CenterPoint Energy – Houston Electric	Depreciation
53.	2006	KY PSC	2006-00172	Duke Energy Kentucky	Depreciation
54.	2006	SC PSC		SCANA	
55.	2006	AK Reg Com	U-06-6	Municipal Light and Power	Depreciation
56.	2006	DE PSC	06-284	Delmarva Power and Light	Depreciation
57.	2006	IN URC	IURC43081	Indiana American Water Company	Depreciation
58.	2006	AK Reg Com	U-06-134	Chugach Electric Association	Depreciation
59.	2006	MO PSC	WR-2007-0216	Missouri American Water Company	Depreciation
60.	2006	FERC	ISO82, ETC. AL	TransAlaska Pipeline	Depreciation

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
61.	2006	PA PUC	R-00061493	National Fuel Gas Distribution Corp. (PA)	Depreciation
62.	2007	NC Util Com.	E-7 SUB 828	Duke Energy Carolinas, LLC	Depreciation
63.	2007	OH PSC	08-709-EL-AIR	Duke Energy Ohio Gas	Depreciation
64.	2007	PA PUC	R-00072155	PPL Electric Utilities Corporation	Depreciation
65.	2007	KY PSC	2007-00143	Kentucky American Water Company	Depreciation
66.	2007	PA PUC	R-00072229	Pennsylvania American Water Company	Depreciation
67.	2007	KY PSC	2007-0008	NiSource – Columbia Gas of Kentucky	Depreciation
68.	2007	NY PSC	07-G-0141	National Fuel Gas Distribution Corp (NY)	Depreciation
69.	2008	AK PSC	U-08-004	Anchorage Water & Wastewater Utility	Depreciation
70.	2008	TN Reg Auth	08-00039	Tennessee-American Water Company	Depreciation
71.	2008	DE PSC	08-96	Artesian Water Company	Depreciation
72.	2008	PA PUC	R-2008-2023067	The York Water Company	Depreciation
73.	2008	KS CC	08-WSEE1-RTS	Westar Energy	Depreciation
74.	2008	IN URC	43526	Northern Indiana Public Service Co.	Depreciation
75.	2008	IN URC	43501	Duke Energy Indiana	Depreciation
76.	2008	MD PSC	9159	NiSource – Columbia Gas of Maryland	Depreciation
77.	2008	KY PSC	2008-000251	Kentucky Utilities	Depreciation
78.	2008	KY PSC	2008-000252	Louisville Gas & Electric	Depreciation
79.	2008	PA PUC	2008-20322689	Pennsylvania American Water Co.-Wastewater	Depreciation
80.	2008	NY PSC	08-E887/08-00888	Central Hudson	Depreciation
81.	2008	WV TC	VE-080416/VG-8080417	Avista Corporation	Depreciation
82.	2008	IL CC	ICC-09-166	Peoples Gas, Light and Coke Co.	Depreciation
83.	2009	IL CC	ICC-09-167	North Shore Gas Company	Depreciation
84.	2009	DC PSC	1076	Potomac Electric Power Company	Depreciation
85.	2009	KY PSC	2009-00141	NiSource – Columbia Gas of Kentucky	Depreciation
86.	2009	FERC	ER08-1056-002	Entergy Services	Depreciation
87.	2009	PA PUC	R-2009-2097323	Pennsylvania American Water Co.	Depreciation
88.	2009	NC Util Cm	E-7, Sub 090	Duke Energy Carolinas, LLC	Depreciation
89.	2009	KY PSC	2009-00202	Duke Energy Kentucky	Depreciation
90.	2009	VA St. CC	PUE-2009-00059	Aqua Virginia, Inc.	Depreciation
91.	2009	PA PUC	2009-2132019	Aqua Pennsylvania, Inc.	Depreciation
92.	2009	MS PSC	09-	Entergy Mississippi	Depreciation
93.	2009	AK PSC	09-08-U	Entergy Arkansas	Depreciation

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94.	2009	TX PUC	37744	Entergy Texas	Depreciation
95.	2009	TX PUC	37690	El Paso Electric Company	Depreciation
96.	2009	PA PUC	R-2009-2106908	The Borough of Hanover	Depreciation
97.	2009	KS CC	10-KCPE-415-RTS	Kansas City Power & Light	Depreciation
98.	2009	PA PUC	R-2009-	United Water Pennsylvania	Depreciation
99.	2009	OH PUC		Aqua Ohio Water Company	Depreciation
100.	2009	WI PSC	3270-DU-103	Madison Gas & Electric Co.	Depreciation
101.	2009	MO PSC	WR-2010	Missouri American Water Co.	Depreciation
102.	2009	AK Reg Cm	U-09-097	Chugach Electric Association	Depreciation
103.	2010	IN URC	43969	Northern Indiana Public Service Co.	Depreciation
104.	2010	WI PSC	6690-DU-104	Wisconsin Public Service Corp.	Depreciation
105.	2010	PA PUC	R-2010-2161694	PPL Electric Utilities Corp.	Depreciation
106.	2010	KY PSC	2010-00036	Kentucky American Water Company	Depreciation
107.	2010	PA PUC	R-2009-2149262	Columbia Gas of Pennsylvania	Depreciation
108.	2010	MO PSC	GR-2010-0171	Laclede Gas Company	Depreciation
109.	2010	SC PSC	2009-489-E	South Carolina Electric & Gas Co.	Depreciation
110.	2010	NJ BD OF PU	ER09080664	Atlantic City Electric	Depreciation
111.	2010	VA St. CC	PUE-2010-00001	Virginia American Water Company	Depreciation
112.	2010	PA PUC	R-2010-2157140	The York Water Company	Depreciation
113.	2010	MO PSC	ER-2010-0356	Greater Missouri Operations Co.	Depreciation
114.	2010	MO PSC	ER-2010-0355	Kansas City Power and Light	Depreciation
115.	2010	PA PUC	R-2010-2167797	T.W. Phillips Gas and Oil Co.	Depreciation
116.	2010	PSC SC	2009-489-E	SCANA – Electric	Depreciation
117.	2010	PA PUC	R-2010-22010702	Peoples Natural Gas, LLC	Depreciation
118.	2010	AK PSC	10-067-U	Oklahoma Gas and Electric Co.	Depreciation
119.	2010	IN URC		Northern Indiana Public Serv. Co. - NIFL	Depreciation
120.	2010	IN URC		Northern Indiana Public Serv. Co. - Kokomo	Depreciation
121.	2010	PA PUC	R-2010-2166212	Pennsylvania American Water Co - WW	Depreciation
122.	2010	NC Util Cn.	W-218,SUB310	Aqua North Carolina, Inc.	Depreciation
123.	2011	OH PUC	11-4161-WS-AIR	Ohio American Water Company	Depreciation
124.	2011	MS PSC	EC-123-0082-00	Entergy Mississippi	Depreciation
125.	2011	CO PUC	11AL-387E	Black Hills Colorado	Depreciation
126.	2011	PA PUC	R-2010-2215623	Columbia Gas of Pennsylvania	Depreciation
127.	2011	PA PUC	R-2010-2179103	Lancaster, City of – Bureau of Water	Depreciation

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128.	2011	IN URC	43114 IGCC 4S	Duke Energy Indiana	Depreciation
129.	2011	FERC	IS11-146-000	Enbridge Pipelines (Southern Lights)	Depreciation
130.	2011	IL CC	11-0217	MidAmerican Energy Corporation	Depreciation
131.	2011	OK CC	201100087	Oklahoma Gas & Electric Co.	Depreciation
132.	2011	PA PUC	2011-2232243	Pennsylvania American Water Company	Depreciation
133.	2011	FERC	2011-2232243	Carolina Gas Transmission	Depreciation
134.	2012	WA UTC	UE-120436/UG-120437	Avista Corporation	Depreciation
135.	2012	AK Reg Cm	U-12-009	Chugach Electric Association	Depreciation
136.	2012	MA PUC	DPU 12-25	Columbia Gas of Massachusetts	Depreciation
137.	2012	TX PUC	40094	El Paso Electric Company	Depreciation
138.	2012	ID PUC	IPC-E-12	Idaho Power Company	Depreciation
139.	2012	PA PUC	R-2012-2290597	PPL Electric Utilities	Depreciation
140.	2012	PA PUC	R-2012-2311725	Hanover, Borough of – Bureau of Water	Depreciation
141.	2012	KY PSC	2012-00222	Louisville Gas and Electric Company	Depreciation
142.	2012	KY PSC	2012-00221	Kentucky Utilities Company	Depreciation
143.	2012	PA PUC	R-2012-2285985	Peoples Natural Gas Company	Depreciation
144.	2012	DC PSC	Case 1087	Potomac Electric Power Company	Depreciation
145.	2012	OH PSC	12-1682-EL-AIR	Duke Energy Ohio (Electric)	Depreciation
146.	2012	OH PSC	12-1685-GA-AIR	Duke Energy Ohio (Gas)	Depreciation
147.	2012	PA PUC	R-2012-2310366	Lancaster, City of – Sewer Fund	Depreciation
148.	2012	PA PUC	R-2012-2321748	Columbia Gas of Pennsylvania	Depreciation
149.	2012	FERC	ER-12-2681-000	ITC Holdings	Depreciation
150.	2012	MO PSC	ER-2012-0174	Kansas City Power and Light	Depreciation
151.	2012	MO PSC	ER-2012-0175	KCPL Greater Missouri Operations Co.	Depreciation
152.	2012	MO PSC	GO-2012-0363	Laclede Gas Company	Depreciation
153.	2012	MN PUC	G007,001/D-12-533	Integrus – MN Energy Resource Group	Depreciation
153.	2012	TX PUC		Aqua Texas	Depreciation
155.	2012	PA PUC	2012-2336379	York Water Company	Depreciation
156.	2013	NJ BPU	ER12121071	PHI Service Co.– Atlantic City Electric	Depreciation
157.	2013	KY PSC	2013-00167	Columbia Gas of Kentucky	Depreciation
158.	2013	VA St CC	2013-00020	Virginia Electric and Power Co.	Depreciation
159.	2013	IA Util Bd	2013-0004	MidAmerican Energy Corporation	Depreciation
160.	2013	PA PUC	2013-2355276	Pennsylvania American Water Co.	Depreciation
161.	2013	NY PSC	13-E-0030, 13-G-0031,	Consolidated Edison of New York	Depreciation

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
			13-S-0032		
162.	2013	PA PUC	2013-2355886	Peoples TWP LLC	Depreciation
163.	2013	TN Reg Auth	12-0504	Tennessee American Water	Depreciation
164.	2013	ME PUC	2013-168	Central Maine Power Company	Depreciation
165.	2013	DC PSC	Case 1103	PHI Service Co. – PEPCO	Depreciation
166.	2013	WY PSC	2003-ER-13	Cheyenne Light, Fuel and Power Co.	Depreciation
167.	2013	FERC	ER13- -0000	Kentucky Utilities	Depreciation
168.	2013	FERC	ER13- -0000	MidAmerican Energy Company	Depreciation
169.	2013	FERC	ER13- -0000	PPL Utilities	Depreciation
170.	2013	PA PUC	R-2013-2372129	Duquesne Light Company	Depreciation
171.	2013	NJ BPU	ER12111052	Jersey Central Power and Light Co.	Depreciation
172.	2013	PA PUC	R-2013-2390244	Bethlehem, City of – Bureau of Water	Depreciation
173.	2013	OK CC	UM 1679	Oklahoma, Public Service Company of	Depreciation
174.	2013	IL CC	13-0500	Nicor Gas Company	Depreciation
175.	2013	WY PSC	20000-427-EA-13	PacifiCorp	Depreciation
176.	2013	UT PSC	13-035-02	PacifiCorp	Depreciation
177.	2013	OR PUC	UM 1647	PacifiCorp	Depreciation
178.	2013	PA PUC	2013-2350509	Dubois, City of	Depreciation
179.	2014	IL CC	14-0224	North Shore Gas Company	Depreciation
180.	2014	FERC	ER14-	Duquesne Light Company	Depreciation
181.	2014	SD PUC	EL14-026	Black Hills Power Company	Depreciation
182.	2014	WY PSC	20002-91-ER-14	Black Hills Power Company	Depreciation
183.	2014	PA PUC	2014-2428304	Hanover, Borough of – Municipal Water Works	Depreciation
184.	2014	PA PUC	2014-2406274	Columbia Gas of Pennsylvania	Depreciation
185.	2014	IL CC	14-0225	Peoples Gas Light and Coke Company	Depreciation
186.	2014	MO PSC	ER-2014-0258	Ameren Missouri	Depreciation
187.	2014	KS CC	14-BHCG-502-RTS	Black Hills Service Company	Depreciation
188.	2014	KS CC	14-BHCG-502-RTS	Black Hills Utility Holdings	Depreciation
189.	2014	KS CC	14-BHCG-502-RTS	Black Hills Kansas Gas	Depreciation
190.	2014	PA PUC	2014-2418872	Lancaster, City of – Bureau of Water	Depreciation
191.	2014	WV PSC	14-0701-E-D	First Energy – MonPower/PotomacEdison	Depreciation
192.	2014	VA St CC	PUC-2014-00045	Aqua Virginia	Depreciation
193.	2014	VA St CC	PUE-2013	Virginia American	Depreciation
194.	2014	OK CC	PUD201400229	Oklahoma Gas and Electric	Depreciation

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
195.	2014	OR PUC	UM1679	Portland General Electric	Depreciation
196.	2014	IN URC	Cause No. 44576	Indianapolis Power & Light	Depreciation
197.	2014	MA DPU	DPU. 14-150	NSTAR Gas	Depreciation
198.	2014	CT PURA	14-05-06	Connecticut Light and Power	Depreciation
199.	2014	MO PSC	ER-2014-0370	Kansas City Power & Light	Depreciation
200.	2014	KY PSC	2014-00371	Kentucky Utilities Company	Depreciation
201.	2014	KY PSC	2014-00372	Louisville Gas and Electric Company	Depreciation
202.	2015	PA PUC	R-2015-2462723	United Water Pennsylvania Inc.	Depreciation
203.	2015	PA PUC	R-2015-2468056	Columbia Gas of Pennsylvania	Depreciation
204.	2015	NY PSC	15-E-0283/15-G-0284	New York State Electric and Gas Corporation	Depreciation
205.	2015	NY PSC	15-E-0285/15-G-0286	Rochester Gas and Electric Corporation	Depreciation
206.	2015	MO PSC	WR-2015-0301/SR-2015-0302	Missouri American Water Company	Depreciation
207.	2015	OK CC	PUD 201500208	Oklahoma, Public Service Company of	Depreciation
208.	2015	WV PSC	15-0676-W-42T	West Virginia American Water Company	Depreciation
209.	2015	PA PUC	2015-2469275	PPL Electric Utilities	Depreciation
210.	2015	IN URC	Cause No. 44688	Northern Indiana Public Service Company	Depreciation
211.	2015	OH PSC	14-1929-EL-RDR	First Energy-Ohio Edison/Cleveland Electric/ Toledo Edison	Depreciation
212.	2015	NM PRC	15-00127-UT	El Paso Electric	Depreciation
213.	2015	TX PUC	PUC-44941; SOAH 473-15-5257	El Paso Electric	Depreciation
214.	2015	WI PSC	3370-DU-104	Madison Gas and Electric Company	Depreciation
215.	2015	OK CC	PUD 201500273	Oklahoma Gas and Electric	Depreciation



2015 DEPRECIATION STUDY

CALCULATED ANNUAL DEPRECIATION
ACCRUALS RELATED TO GAS PLANT
AS OF DECEMBER 31, 2015



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PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.

COMPARISON OF CURRENT ANNUAL DEPRECIATION EXPENSE VS. PROPOSED ANNUAL DEPRECIATION EXPENSE
RELATED TO GAS PLANT AS OF DECEMBER 31, 2015

		CURRENT ESTIMATES				PROPOSED ESTIMATES					
ACCOUNT (1)	ORIGINAL COST (2)	SURVIVOR CURVE (3)	NET SALVAGE (4)	CALCULATED ANNUAL ACCRUAL		SURVIVOR CURVE (7)	NET SALVAGE (8)	CALCULATED ANNUAL ACCRUAL		INCREASE/ (DECREASE) (11)=(10)-(6)	
				RATE (5)	PRO FORMA (6)=(5)*(2)			RATE (9)	AMOUNT (10)		
DEPRECIABLE PLANT											
OTHER STORAGE PLANT											
481	STRUCTURES AND IMPROVEMENTS	4,585,696.64	50-R3	0	0.87	39,896	55-R2.5	(5)	2.61	119,798	79,902
482	GAS HOLDERS	6,783,413.08	55-R3	(10)	1.55	105,143	55-S2.5	(10)	1.14	77,387	(27,776)
483	PURIFICATION EQUIPMENT	3,154,850.33	35-R2.5	0	4.75	149,855	50-R2.5	(5)	3.89	122,820	(27,035)
483.1	LIQUEFACTION EQUIPMENT	2,400,989.75	30-S2	0	1.34	32,173	50-R2.5	(5)	2.73	65,461	33,288
483.2	VAPORIZING EQUIPMENT	4,021,139.87	35-S1.5	0	0.77	30,963	50-R2.5	(5)	0.88	35,581	4,618
483.3	COMPRESSOR EQUIPMENT	2,044,318.69	45-S2	0	6.33	129,405	50-R2.5	(5)	0.82	16,733	(112,672)
483.4	MEASURING AND REGULATING EQUIPMENT	107,998.85	40-R2.5	0	0.48	518	50-R2.5	(5)	0.69	747	229
483.5	OTHER EQUIPMENT	421,723.42	35-S2.5	0	0.98	4,133	50-R2.5	(5)	1.42	5,981	1,848
TOTAL OTHER STORAGE PLANT		23,520,140.63			2.09	492,087			1.89	444,488	(47,599)
TRANSMISSION PLANT											
465.2	LAND RIGHTS	11,969,840.48	65-R4	0	0.98	117,304	70-R4	0	1.38	165,461	48,157
STRUCTURES AND IMPROVEMENTS											
466.3	COMPRESSOR STATION	6,119,943.59	55-S2.5	(5)	1.02	62,423	40-S2	(10)	2.91	178,094	115,671
466.4	TAKE-OFF STATION	1,989,900.08	45-R2.5	(5)	1.67	28,221	40-S2	(10)	2.82	47,677	19,456
466.5	MEASURING AND REGULATING STATION	105,619.57	55-R2.5	(5)	0.10	106	40-S2	(10)	4.96	5,238	5,132
466.6	REGULATING STATION	129,346.39	50-S2	(5)	1.03	1,332	40-S2	(10)	3.77	4,872	3,540
TOTAL STRUCTURES AND IMPROVEMENTS		8,044,809.63				92,083			2.93	235,681	143,798
467	MAINS	172,175,776.01	65-R3	(15)	1.35	2,324,373	70-R2.5	(15)	1.54	2,844,289	319,916
468	COMPRESSOR STATION EQUIPMENT	35,106,737.72	37-S1.5	(5)	1.75	614,368	28-S1.5	(5)	3.97	1,394,640	780,272
469.4	TAKE-OFF STATION EQUIPMENT	10,879,992.22	23-R1	(10)	4.32	470,016	27-S0	(15)	3.95	429,371	(40,645)
469.5	MEASURING AND REGULATING STATION EQUIPMENT	5,093,197.98	40-R1.5	(10)	2.29	116,634	38-R1	(15)	3.33	169,368	52,734
469.6	REGULATING STATION EQUIPMENT	5,661,297.91	33-R1.5	(10)	3.28	185,691	36-R1	(15)	3.21	161,993	(3,698)
469.7	MAIN LINE INDUSTRIAL EQUIPMENT	72,342.10	32-R1.5	(10)	3.06	2,214	26-S0	(15)	4.78	3,458	1,244
469.8	FARM TAP EQUIPMENT	4,559,065.60	23-R1	(10)	6.47	294,972	26-R1	(15)	4.21	191,865	(103,107)
470	COMMUNICATION EQUIPMENT	1,422,710.19	15-S2	0	5.17	73,554	15-SQ	(5)	8.48	120,625	47,071
TOTAL TRANSMISSION PLANT		254,985,769.84			1.68	4,291,208			2.17	5,536,951	1,245,743
DISTRIBUTION PLANT											
474.2	LAND RIGHTS	845,618.36	65-R4	0	1.53	12,938	65-R4	0	1.50	12,718	(220)
STRUCTURES AND IMPROVEMENTS - MAJOR											
475	RALEIGH SERVICE CENTER	5,983,103.97	90-R1	(5)	2.43	145,389	90-R1	(5)	4.78	285,882	140,493
	SANFORD COMMERCIAL CENTER	827,628.01	90-R1	(5)	2.43	15,251	90-R1	(5)	5.22	32,733	17,482
	CARY/APEX OPERATIONS CENTER	2,646,078.73	90-R1	(5)	2.43	64,300	90-R1	(5)	2.38	62,858	(1,442)
	NORTH DURHAM OPERATIONS CENTER	2,243,208.37	90-R1	(5)	2.43	54,510	90-R1	(5)	2.37	53,144	(1,366)
	SOUTH DURHAM OPERATIONS CENTER	3,052,755.85	90-R1	(5)	2.43	74,182	90-R1	(5)	2.39	72,886	(1,296)
	CHAPEL HILL OPERATIONS CENTER	2,735,396.67	90-R1	(5)	2.43	66,470	90-R1	(5)	2.37	64,743	(1,727)
	HENDERSON	510,447.32	90-R1	(5)	2.43	12,404	90-R1	(5)	5.21	26,595	14,191
	CONCORD	1,076,117.88	90-R1	(5)	2.43	26,150	90-R1	(5)	2.79	29,977	3,827
	TROUTMAN OPERATION OFFICE	1,854,973.09	90-R1	(5)	2.43	45,076	90-R1	(5)	2.33	43,208	(1,868)
	GASTONIA	5,875,200.24	90-R1	(5)	2.43	142,767	90-R1	(5)	2.79	163,809	21,042
	FOREST CITY	272,315.94	90-R1	(5)	2.43	6,617	90-R1	(5)	3.03	8,250	1,633
	ASHEVILLE	2,495,292.05	90-R1	(5)	2.43	60,636	90-R1	(5)	2.33	58,166	(2,470)
	HENDERSONVILLE	1,051,228.09	90-R1	(5)	2.43	25,545	90-R1	(5)	3.46	36,391	10,846
	MARIETTA STREET WAREHOUSE	696,365.61	90-R1	(5)	2.43	16,922	FULLY ACCRUED		-	0	(16,922)
	ENERGY CENTER	307,177.55	90-R1	(5)	2.43	7,464	90-R1	(5)	3.17	9,740	2,276
	CORPORATE WAREHOUSE GASTON ROAD	6,896,748.90	90-R1	(5)	2.43	167,591	90-R1	(5)	2.30	158,446	(9,145)
TOTAL STRUCTURES AND IMPROVEMENTS - MAJOR		38,324,036.25			2.43	931,274			2.89	1,106,828	175,554

**COMPARISON OF CURRENT ANNUAL DEPRECIATION EXPENSE VS. PROPOSED ANNUAL DEPRECIATION EXPENSE
RELATED TO GAS PLANT AS OF DECEMBER 31, 2015**

		CURRENT ESTIMATES					PROPOSED ESTIMATES				
ACCOUNT (1)	ORIGINAL COST (2)	SURVIVOR CURVE (3)	NET SALVAGE (4)	CALCULATED ANNUAL ACCRUAL		SURVIVOR CURVE (7)	NET SALVAGE (8)	CALCULATED ANNUAL ACCRUAL		INCREASE/ (DECREASE) (11)=(10)-(6)	
				RATE (5)	PRO FORMA (6)=(5)*(2)			RATE (9)	AMOUNT (10)		
475.1	STRUCTURES AND IMPROVEMENTS - OTHER	1,002,499.79	30-S1.5	(5)	0.88	8,822	34-L2	(5)	3.15	31,603	22,781
	TOTAL STRUCTURES AND IMPROVEMENTS	39,326,536.04			2.39	940,096			2.89	1,738,431	198,335
476.1	MAINS - PLASTIC	447,119,343.26	60-S2	(60)	2.68	11,982,772	65-R3	(40)	2.01	8,982,229	(3,000,543)
476.3	MAINS - STEEL	320,980,474.66	60-R3	(60)	2.75	8,826,963	65-R2.5	(40)	1.89	6,082,360	(2,744,603)
478.1	DISTRICT REGULATING EQUIPMENT	15,783,499.14	19-S1	(15)	8.92	1,407,888	23-S0.5	(20)	3.88	612,267	(795,621)
480.1	SERVICES - PLASTIC	324,185,538.09	45-R3	(80)	3.97	12,870,166	50-R3	(100)	4.00	12,962,243	92,077
480.2	SERVICES - STEEL	28,706,676.00	50-R1	(80)	2.73	783,692	52-R1	(100)	3.66	1,051,727	268,035
481	METERS	67,108,070.71	43-R2.5	0	1.93	1,295,186	41-R2.5	5	2.10	1,412,009	116,823
481.1	METERS - ERT	34,718,598.19	15-S3	0	6.72	2,333,090	15-S2.5	1	6.08	2,109,930	(223,160)
482	METER INSTALLATIONS	36,184,685.87	50-R3	0	1.85	597,047	50-R3	0	1.72	623,664	26,617
485	INDUSTRIAL MEASURING AND REGULATING STATION EQUIPMENT	16,597,074.02	22-R1.5	10	2.14	355,177	26-S0	(5)	3.73	619,845	264,668
487	OTHER EQUIPMENT	4,078,959.01	14-L2	0	3.98	162,343	14-SQ	0	9.97	406,805	244,462
	TOTAL DISTRIBUTION PLANT	1,336,634,071.35			3.11	41,567,358			2.70	36,014,228	(5,553,130)
	GENERAL PLANT										
490	STRUCTURES AND IMPROVEMENTS	6,574,541.46	90-R1	0	2.18	143,325	90-R1	(5)	2.39	156,955	13,631
491.1	OFFICE FURNITURE AND EQUIPMENT	5,760,820.96	20-SQ	0	4.74	273,063	20-SQ	0	6.09	350,550	77,487
491.5	COMPUTER EQUIPMENT	2,967,511.07	5-SQ	0	13.84	410,704	5-SQ	0	58.46	1,734,812	1,324,108
491.6	REMOTE METER READING EQUIPMENT	5,527,053.85	10-SQ	0	6.73	371,971	10-SQ	0	22.52	1,244,541	872,570
491.8	SOFTWARE - POST NOVEMBER 1, 2006	5,229,388.08	5-SQ	0	20.00	1,045,876	5-SQ	0	20.67	1,080,977	35,099
	TRANSPORTATION EQUIPMENT										
492.1	AUTOMOBILES	122,479.12	5-R3	20	-	0	5-R3	20	-	0	0
492.4	TRUCKS	29,789,710.33	9-L2	20	0.39	116,180	9-L2.5	20	16.54	4,928,094	4,811,914
492.7	TRAILERS	1,682,156.79	9-L2	20	0.39	6,560	18-L2.5	20	5.02	84,378	77,818
	TOTAL TRANSPORTATION EQUIPMENT	31,594,346.24			0.39	122,740			15.87	5,012,472	4,889,732
493	STORES EQUIPMENT	286,788.02	25-SQ	0	4.09	11,730	25-SQ	0	3.96	11,346	(384)
494.5	CNG REFUELING STATIONS - PRIOR TO NOVEMBER 1, 2006	123,478.20	15-SQ	0	-	0	17-R4	0	-	0	0
494.6	TOOLS, SHOP AND GARAGE EQUIPMENT - NON SPECIFIC	4,144,568.93	20-SQ	0	3.35	138,843	20-SQ	0	8.54	353,786	214,943
494.7	CNG REFUELING STATIONS - POST NOVEMBER 1, 2006	6,505,768.56	15-SQ	0	6.67	433,935	11-R2	0	9.35	608,182	174,247
496	POWER OPERATED EQUIPMENT	8,858,861.33	11-S2	20	5.07	449,144	12-L2.5	20	6.42	568,761	119,617
496.1	POWER OPERATED EQUIPMENT - NON SPECIFIC	525,621.64	11-S1.5	20	4.05	21,288	14-R2.5	20	9.94	52,239	30,951
497	COMMUNICATION EQUIPMENT	5,805,987.08	15-SQ	0	8.18	474,930	15-SQ	0	5.55	322,012	(152,918)
497.1	RADIO EQUIPMENT	288,019.91	10-SQ	0	7.36	21,198	10-SQ	0	5.15	14,829	(6,369)
498	MISCELLANEOUS EQUIPMENT	73,484.21	20-SQ	0	0.32	235	20-SQ	0	8.24	6,054	5,819
498.1	ENERGY AUDIT EQUIPMENT	26,504.86	20-SQ	0	0.32	85	20-SQ	0	6.91	1,831	1,746
	TOTAL GENERAL PLANT	84,292,744.20			4.65	3,919,067			13.67	11,519,348	7,600,281
	TOTAL DEPRECIABLE PLANT	1,698,432,726.02			2.96	50,269,720			3.15	53,515,015	3,245,295
	NONDEPRECIABLE										
402	FRANCHISES AND CONSENTS	3,512.44									
402.1	FRANCHISES FPC	196,307.55									
403	MISCELLANEOUS INTANGIBLE PLANT	137,003.40									
403.2	MISCELLANEOUS INTANGIBLE PLANT - MIDLAND STATION	166,316.74									
460	LAND AND LAND RIGHTS	819,328.87									
465.3	LAND - COMPRESSOR STATIONS	369,331.32									
465.4	LAND - TAKE-OFF STATION	631,593.87									
465.5	LAND - MEASURING AND REGULATING STATION	412,686.28									
465.6	LAND - REGULATING STATION	626,017.47									
465.8	LAND - FARM TAP	7,457.16									

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.
COMPARISON OF CURRENT ANNUAL DEPRECIATION EXPENSE VS. PROPOSED ANNUAL DEPRECIATION EXPENSE
RELATED TO GAS PLANT AS OF DECEMBER 31, 2015

		CURRENT ESTIMATES				PROPOSED ESTIMATES					
		ORIGINAL COST	SURVIVOR CURVE	NET SALVAGE	CALCULATED ANNUAL ACCRUAL		SURVIVOR CURVE	NET SALVAGE	CALCULATED ANNUAL ACCRUAL		INCREASE/ (DECREASE)
ACCOUNT					RATE	PRO FORMA			RATE	AMOUNT	
(1)		(2)	(3)	(4)	(5)	(6)=(5)*(2)	(7)	(8)	(9)	(10)	(11)=(10)-(6)
474.1	LAND	8,690,975.11									
489.1	LAND	233,440.27									
TOTAL NONDEPRECIABLE PLANT		12,293,970.28									
TOTAL GAS PLANT		1,710,726,696.30									

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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-5, SUB 565

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application of Public Service Company of)
North Carolina, Inc. for a General)
Increase in its Rates and Charges)

**AMENDED
STIPULATION**

Public Service Company of North Carolina, Inc. ("PSNC" or the "Company"), the Public Staff - North Carolina Utilities Commission ("Public Staff"), Carolina Utility Customers Association, Inc. ("CUCA"), and Blue Ridge Paper Products Inc. d/b/a Evergreen Packaging ("Evergreen"), (collectively the "Stipulating Parties"), through counsel and pursuant to Section 62-69 of the North Carolina General Statutes and Rule R1-24(c) of the Rules and Regulations of the North Carolina Utilities Commission ("Commission" or "NCUC"), respectfully submit the following stipulation for consideration by the Commission. The Stipulating Parties hereby stipulate and agree as follows:

1. **Background.**

A. On February 17, 2016, PSNC gave notice of its intent to file a general rate case.

B. On March 3, 2016, the Carolina Utility Customers Association, Inc. ("CUCA") filed a petition to intervene, which was granted by the Commission on March 7, 2016.

C. On March 31, 2016, PSNC filed an application (the "Application") in the above-captioned docket seeking approval of: a general increase in its rates and charges; certain changes to its cost allocations and rate designs; revisions to current tariff language; amortization of certain deferred account balances; implementation of a rider to track and provide for recovery of capital expenses related to transmission and distribution pipeline integrity management programs; authority to defer operations and maintenance ("O&M") expenses associated with its distribution integrity management program and continued deferred accounting treatment for O&M expenses associated with its transmission integrity management program; amortization and collection of certain deferred environmental expenses; and contribution to the Gas Technology Institute ("GTI") Operations Technology Development program. Included with this filing were information and data required by NCUC Form G-1, and the testimony and exhibits of Company witnesses D. Russell Harris, Jimmy E. Addison, Robert B. Hevert, John J. Spanos, George B. Ratchford, Sharon D. Boone, James A. Spaulding, Candace A. Paton and Rose M. Jackson.

D. On April 26, 2016, the Commission issued its Order Scheduling Investigation and Hearing, Suspending Proposed Rates, Establishing Intervention and Testimony Due Dates and Discovery Guidelines, and Requiring Public Notice.

E. On May 31, 2016, Blue Ridge Paper Products Inc. d/b/a Evergreen Packaging ("Evergreen") filed a petition to intervene, which was granted by the Commission on June 2, 2016.

F. On June 13, 2016, the Attorney General of North Carolina ("Attorney General") filed notice of intervention.

G. Subsequent to the filing of the Company's Application in this docket, the Public Staff, CUCA, and Evergreen engaged in substantial discovery regarding the matters addressed by the Company's Application, and the Public Staff further examined the relevant books and records of PSNC with respect to the Company's Application.

H. After lengthy negotiations in multiple meetings and conference calls, the Stipulating Parties filed a Partial Stipulation on August 18, 2016, which resulted in substantial adjustments to the Company's filed case and resolved all but one issue. Corrections to the Partial Stipulation were filed on August 22, 2016, and an Amended Partial Stipulation was filed on August 25, 2016. The Stipulating Parties were ultimately able to arrive at a complete settlement of all issues, the terms of which are reflected in the following sections of this Stipulation and the exhibits attached hereto. The Stipulation resulted in an agreement to increase the Company's combined revenues by approximately 4.18% of the Company's total operating revenues.

2. **Test Period.** The test period for this rate case is the twelve months ended December 31, 2015, adjusted for certain changes in plant, throughput, and costs that were not known at the time the case was filed but are based upon circumstances occurring or becoming known through June 30, 2016.

3. **End of Period Throughput.**

A. The appropriate level of adjusted end of period sales and transportation quantities for use herein is 937,082,412 therms, comprised of 491,921,582 therms of sales quantities, 316,664,980 therms of transportation quantities, and 128,495,850 therms of special contract quantities.

B. The appropriate level for lost and unaccounted for gas is 7,027,614 therms and for company use gas is 870,521 therms.

C. The appropriate end of period level of purchased gas supply is 499,819,716 therms, consisting of sales volumes, company use gas, and lost and unaccounted for gas.

4. **Rate Base.** The original cost rate base used and useful in providing service to the Company's customers is \$946,722,235, consisting of gas plant in service of \$1,839,643,565, reduced by accumulated depreciation of \$657,141,088, working capital – other of \$7,817,284, and accumulated deferred income taxes of \$241,677,456, as shown on Exhibit A attached hereto and incorporated herein by reference.

5. **Revenue Requirement.**

A. The appropriate level of end of period operating revenues under present rates for use in this proceeding is \$434,445,667, which is comprised of \$430,126,449 of sales and transportation revenues, \$792,254 of special contract revenues, and \$3,526,964 of other operating revenues, as shown on Exhibit A.

B. The appropriate capital structure consists of 52.00% common equity, 3.38% short-term debt and 44.62% long-term debt. The cost of short-term debt is set at 0.77%. The cost of long-term debt is set at 5.52%.

C. The appropriate return on common equity is 9.70%.

D. The overall fair rate of return that PSNC should be allowed an opportunity to earn on its rate base is 7.53%, as shown on Exhibit A.

E. Rate Design. The rate schedules reflecting new energy rates and monthly facilities charges are shown in the columns entitled "Monthly Facilities Charges" and "Energy Charges" on Exhibit B which will provided as a late-filed exhibit. The Stipulating Parties agree that the Commission shall determine in this case that these rates are just and reasonable, as adjusted to reflect any Commission-approved: (a) changes in the Benchmark Commodity Gas Cost on or before the date that the rates approved in this docket become effective; and (b) changes in the Demand and Storage Charges that occur between the date of this Stipulation and the date that the rates approved in this docket become effective.

The Stipulating Parties have agreed to an additional usage tier for Rate Schedule 175, as shown on Public Staff witness Jan Larsen's Amended Exhibit C, page 2 of 2. The Stipulating Parties agree that this additional usage tier will not result in any revenue shifting between any rate classes.

F. **Fixed Gas Costs Apportionment Percentages.** The fixed gas cost apportionment percentages will be embedded in rates and used in future true-ups of fixed gas costs in proceedings under Rule R1 17(k) until the resolution of

PSNC's next general rate proceeding are set forth in Exhibit C attached hereto and incorporated herein by reference.

G. Distribution Integrity Management O&M expense. The Stipulating Parties agree to the exclusion of the Company's proposed \$2,000,000 in cost of service of distribution pipeline integrity management O&M expenses. Instead, the Stipulating Parties agree to regulatory asset accounting treatment for certain O&M expenses incurred due to the Company's distribution pipeline integrity management program and to treat such costs as regulatory assets and to defer such costs and reflect the approved annual amortization of DIMP costs until the resolution of the Company's next general rate case proceeding. The Stipulating Parties agree that no party will object to rate base treatment of prudently incurred unamortized DIMP balances in its next general rate case.

H. Manufactured Gas Plant (MGP) Clean-up Cost Amortization. The Commission has previously approved regulatory asset treatment for PSNC's MGP clean-up costs. The Stipulating Parties agree that it is appropriate to amortize and allow recovery of the balance of this deferred asset as of June 30, 2016, over a five-year period. The Stipulating Parties have agreed, for settlement purposes only, on the balance of this deferred asset to be amortized and the amount of the annual amortization expense. The Stipulating Parties further agree that regulatory asset treatment for MGP clean-up costs will be discontinued as filed by PSNC.

I. **PIM Cost Amortization.** The Commission approved regulatory asset treatment for PSNC's PIM costs incurred as a result of implementation of the Pipeline Safety Improvement Act of 2002. The Stipulating Parties agree that it is appropriate to amortize and allow recovery of the balance of this deferred asset as of June 30, 2016, over a five-year period. The Stipulating Parties have agreed, for settlement purposes only, on the balance of this deferred asset to be amortized and the amount of the annual amortization expense. The Stipulating Parties further agree that it is appropriate to continue the regulatory asset treatment for such costs and to defer these costs and reflect the approved annual amortization of PIM costs until the resolution of PSNC's next general rate case proceeding. The Stipulating Parties agree that no party will object to rate base treatment of prudently incurred unamortized PIM balances in its next general rate case.

6. **Customer Usage Factors.** The Stipulating Parties agree on the "R" values, baseload and heat sensitive factors to be used in the Company's approved Customer Usage Tracker on and after the effective date of rates as reflected in Exhibit D, which will be provided as a late-filed exhibit.

7. **Cost of Gas and Gas Cost Deferred Accounts.**

A. The appropriate Benchmark Commodity Cost of Gas for use in the financial exhibits in this proceeding and in subparagraph B of this Paragraph is \$0.225 per therm. The rates that will go into effect will be based on the Company's Benchmark Commodity Cost of Gas in effect on November 1, 2016, the effective date of the new rates.

B. The reasonable level of total cost of gas is \$180,388,055 as reflected on Exhibit E attached hereto and incorporated by reference herein, and is determined as follows:

Commodity Cost of Gas:	\$110,682,356
Company Use & Lost and Unaccounted for Gas:	\$1,777,080
Fixed Cost of Gas:	\$67,928,619
Total:	\$180,388,055

8. **State Income Tax Rate.** The Stipulating Parties agree to reflect the current 4% state income tax in the cost of service in this proceeding. In accordance with North Carolina Session Law 2015-241, the Stipulating Parties agree that PSNC will make downward adjustments to its rates to recognize the reduction in the state corporate income tax rate to 3% beginning January 1, 2017. The Stipulating Parties further agree to work together on determining the appropriate revenue requirement reduction and effectuating such reductions and to file notice of such rate reductions with the Commission prior to implementation.

9. **Depreciation Rates.** The Stipulating Parties agree that effective January 1, 2017, PSNC will adopt the revised depreciation rates reflected in the depreciation study filed with and supported by the testimony of Company witness John J. Spanos.

10. **Adoption of Integrity Management Tracker.** As authorized by North Carolina Gen. Stat. 62-133.7A, the Stipulating Parties agree that it is appropriate to adopt an Integrity Management Tracker ("IMT") mechanism as Rider E to the

Company's tariff to recover capital expenses closed to plant in service after June 30, 2016, and related to the Company's transmission and distribution pipeline integrity management programs.

A. The Stipulating Parties agree that that costs incurred for system expansion/improvement or routine maintenance, repair and replacement of system components that are not primarily required to comply with federal gas pipeline safety requirements shall not be recovered through the IMT but through inclusion in rate base in PSNC's next general rate case.

B. The Stipulating Parties agree that certain costs associated with the Company's Integrity Management Plant Investment shall be excluded from recovery through the IMT mechanism ("Excluded Costs"). Those Excluded Costs shall be calculated by the following fixed percentages based on PSNC's budgeted projects as attached as Exhibit F:

- 85% of right-of-way clearing costs in TIMP and DIMP projects;
- 10% of DIMP project costs net of Excluded Costs related to right-of-way clearing ("Net DIMP Excluded Costs"); and
- 15% of TIMP project costs net of Excluded Costs related to right-of-way clearing ("Net TIMP Excluded Costs").

C. The Stipulating Parties agree that only the costs associated with the replacement of 47.5 miles of 8" pipe reflected in the T-1 Line Project costs agreed

to by the Parties in the amount of \$117,740,065, plus overheads, should be allowed recovery in the IMT.

D. The Stipulating Parties agree that they will work together to determine the level of costs associated with the Highway 751 TIMP Project that should be allowed recovery in the IMT.

E. The Stipulating Parties agree that they will work together to determine the level of costs allowed for recovery through the IMT associated with any future extraordinary projects that have a significant non-IMT component.

F. The Stipulating Parties agree to the Summary Timeline for Integrity Management Tracker attached hereto as Exhibit G.

G. The Stipulating Parties agree that the IMT mechanism shall be reviewed by the Commission at the earlier of four years from the date PSNC's IMT tariff takes effect or the date of PSNC's next general rate case filing, after which the IMT mechanism may be extended, modified, or terminated. Any Integrity Management Deferred Account balance carried on PSNC's books at the effective date of rates from a general rate case or upon termination of the IMT mechanism shall remain recoverable through an ongoing surcharge mechanism until such balance is fully recovered. The Stipulating Parties agree that the amortization period for any such balance shall be determined by the Commission in a future proceeding. The Parties further agree that, unless otherwise ordered by the Commission, all Integrity Management Plant Investment made by PSNC after the termination of the IMT mechanism shall be recoverable only through base rates.

11. **Tariff and Rules and Regulations.** The Stipulating Parties agree that the Company's Tariff and Rules and Regulations included in Paton Exhibit 4 with the exception of the Summary of Rates and Charges, Riders C and E, and the Transportation Pooling Agreement should be approved. Further, the Stipulating Parties agree that revised Riders C and E and the revised Transportation Pooling Agreement as attached hereto as Exhibit H should be approved.

12. **Excess Deferred Income Taxes.** The Stipulating Parties agree that it is appropriate to implement a temporary decrement in rates to refund excess deferred taxes as set forth on Paton Exhibit 13. The parties further agree that in accordance with North Carolina Session Law 2013-316 (House Bill 998), PSNC agrees to refund the additional EDIT over a one-year period. The parties further agree that any amount remaining after twelve months shall be transferred to the All Customers' Deferred Account.

13. **Conservation Program Expenditures.** The Stipulating Parties agree that PSNC should continue to be allowed to recover \$750,000 of conservation program expenditures.

14. **GTI Funding.** The Stipulating Parties agree that the Company may fund research and development activities through annual payments to GTI that have been included in operating expenses in this proceeding.

15. **Interest Rate on Deferred Gas Cost Accounts.** The parties agree that beginning with the month in which the Order is issued, PSNC will use an interest rate of 6.6% per annum as the applicable interest rate on all amounts over-

collected or under-collected from customers reflected in its Sales Customers Only, All Customers, and Hedging Deferred Gas Cost Accounts. The methods and procedures used by PSNC for the accrual of interest on the Deferred Gas Cost Accounts will remain unchanged.

16. **GS-1 Reporting.** The parties agree that PSNC shall file their GS-1 Report in a format similar to the ES-1 filed by the electric utilities.

17. **Agreement to Support Settlement; Non-Waiver.** The Stipulating Parties will support this Stipulation in any proposed order or brief and in any hearing before the Commission in this docket; provided, however, that the settlement of any issue pursuant to this Stipulation shall not be cited as precedent by any of the Stipulating Parties in any other proceeding or docket before this Commission. The provisions of this Stipulation do not necessarily reflect any position asserted by any of the Stipulating Parties.

Rather, they reflect a settlement among the Stipulating Parties as to all issues, and no Stipulating Party waives the right to assert any position in any future docket before the Commission.

18. **Introduction of Testimony and Waiver of Cross-Examination.** The Stipulating Parties agree that testimony and exhibits filed by the Stipulating Parties in support of this Stipulation may be introduced into evidence without objection, and the parties hereto waive their respective right to cross-examine all witnesses with respect to such pre-filed testimony and exhibits. If, however, questions should be asked by any person, including a Commissioner, who is not a Stipulating Party,

the Stipulating Parties may present testimony and/or exhibits to respond to such questions and may cross-examine any witnesses with respect to such testimony and/or exhibits; provided, however, that such testimony, exhibits, and/or cross-examination shall not be inconsistent with this Stipulation. The Stipulating Parties further agree that the Company will file supplemental testimony in support of the Stipulation provided that such testimony shall not be inconsistent with this Stipulation. The Stipulating Parties agree to waive cross-examination of the Public Staff's testimony and the Company's testimony on all issues agreed to in this Stipulation.

19. **Entire Stipulation Accepted.** This Stipulation is the product of give-and-take negotiations, and no portion of this Stipulation shall be binding on the Stipulating Parties unless the entire Stipulation is accepted by the Commission. The above terms and conditions fully represent the agreement of the parties. Therefore, each party acknowledges its consent and agreement by authorizing its representative or counsel to affix his or her signature to this Stipulation. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This Stipulation may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Stipulation.

SCHEDULE OF EXHIBITS

Exhibit A	-	Net Operating Income, Rate Base and Overall Return
Exhibit B	-	Rates and Revenue Level (provided as late-filed exhibit)
Exhibit C	-	Fixed Gas Cost Allocations
Exhibit D	-	Customer Usage Tracker Factors (provided as late-filed exhibit)
Exhibit E	-	Cost of Gas
Exhibit F	-	Integrity Management Tracker Projects
Exhibit G	-	Integrity Management Tracker Timeline
Exhibit H	-	Tariff Revisions and Integrity Management Tracker

OFFICIAL COPY

Aug 30 2016

The foregoing is agreed and stipulated to this the 29th day of August, 2016.

Public Service Company of North Carolina, Inc.

_____

Public Staff-North Carolina Utilities Commission

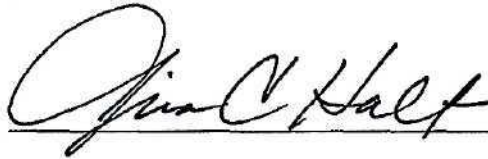
Blue Ridge Paper Products Inc.
d/b/a Evergreen Packaging

Carolina Utility Customers Association, Inc.

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Public Service Company of North Carolina, Inc.

Public Staff-North Carolina Utilities Commission



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Carolina Utility Customers Association, Inc.

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Aug 30 2016

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Public Service Company of North Carolina, Inc.

Public Staff-North Carolina Utilities Commission

Blue Ridge Paper Products Inc.
d/b/a Evergreen Packaging

Carolina Utility Customers Association, Inc.

Sharon C. Miller

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

Line No.	Item	Per Company (a)	Public Staff Adjustments (b)	After Public Staff Adjustments (c)	Rate Increase (d)	After Rate Increase (e)
NET OPERATING INCOME FOR RETURN						
<u>Operating Revenues:</u>						
1	Sales and transportation of gas	\$426,062,649	\$4,063,800	\$430,126,449	\$18,777,584	\$448,904,033
2	Other operating revenues	3,413,176	113,788	3,526,964	276,576	3,803,540
3	Operating revenues, excl special contracts	429,475,825	4,177,588	433,653,413	19,054,160	452,707,573
4	Special Contract Revenues	792,254	0	792,254		792,254
5	Total operating revenues	430,268,079	4,177,588	434,445,667	19,054,160	453,499,827
6	Cost of gas	177,117,745	3,270,310	180,388,055		180,388,055
7	Margin	253,150,334	907,278	254,057,612	19,054,160	273,111,772
<u>Operating Expenses:</u>						
8	Operating and maintenance	112,901,063	(11,298,057)	101,603,006	74,245	\$101,677,251
9	Depreciation	56,496,731	(441,452)	56,055,279		56,055,279
10	General taxes	15,460,053	(171,956)	15,288,097		15,288,097
11	State income tax (4%)	1,794,393	509,332	2,303,725	757,341	3,061,066
12	Federal income tax (35%)	15,072,898	4,278,394	19,351,292	6,361,692	25,712,984
13	Amortization of investment tax credits	0	0	0		0
14	Amortization of EDIT	0	0	0		0
15	Total operating expenses	201,725,138	(7,123,739)	194,601,399	7,193,278	201,794,677
16	Interest on customer deposits ^{1/}	0	0	0		0
17	Net operating income for return	\$51,425,196	\$8,031,017	\$59,456,213	\$11,860,883	\$71,317,096
RATE BASE						
19	Plant in service	\$1,854,943,639	(\$15,300,074)	\$1,839,643,565	\$0	\$1,839,643,565
20	Accumulated depreciation	(671,500,105)	14,359,017	(657,141,088)	0	(657,141,088)
21	Net plant in service	1,183,443,534	(941,057)	1,182,502,477	0	1,182,502,477
22	Working Capital - Other	(1,885,912)	(5,931,372)	(7,817,284)	0	(7,817,284)
23	Working Capital - Lead Lag	10,009,617	1,847,954	11,857,571	1,856,927	13,714,498
24	Deferred Regulatory Assets		0	0		0
25	Deferred Income Taxes	(245,221,651)	3,544,195	(241,677,456)	0	(241,677,456)
26	Original cost rate base	\$946,345,586	(\$1,480,280)	\$944,865,308	\$1,856,927	\$946,722,235
26	Overall Rate of Return on Rate Base	5.43%		6.29%		7.53%

Exhibit A
Page 2 of 2

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

RECONCILIATION OF GROSS REVENUE INCREASE REQUESTED BY THE COMPANY TO THE
SETTLEMENT 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
	Settlement 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 Settlement adjustments	196,137
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	(887,970)
29	PIM Costs - update actual expenses @ 6/30/16	(1,651,192)
30	DIMP Costs - deferral	(1,706,430)
31	SalesForce Adjustment - ongoing level	(37,532)
32	Advertising - remove promotional, image, competitive, & non-recurring	(678,559)
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 Settlement adjustments	(150,481)
40	Rounding	43
41	Settlement Adjustments	(23,195,245)
42	Recommended Change in Margin	\$18,387,775
43	Fixed Gas Cost Adjustment	543,643
44	LAUF Rate Change	22,742
45	Recommended Change in Revenue Requirement per Settlement	\$19,054,160

EXHIBIT C

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.
DOCKET NO. G-5, SUB 565
PROPOSED FIXED GAS COST APPORTIONMENT PERCENTAGES

RATE SCHEDULE	FIXED GAS COST APPORTIONMENT	PROFORMA FIXED GAS COST
Total	100.0000%	\$67,928,620
101 & 102 & 115 - Summer	5.086%	\$3,454,837
101 & 102 & 115 - Winter	59.087%	\$40,136,736
125 & 127 -Step 1	17.639%	\$11,981,930
125 & 127 -Step 2	9.322%	\$6,332,017
125 & 127 -Step 3 & 126	0.347%	\$235,615
140	/1 0.000%	
145	2.437%	\$1,655,273
150 & 135	0.385%	\$261,357
175	3.179%	\$2,159,531
180	2.519%	\$1,711,326

1/ Currently in Rate 125 - Will be determined in final rate design.

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

I. FIXED GAS COSTS (In DTs and \$/DT)

PIPELINE	CONTRACT NUMBER	RATE SCHEDULE	DTs	DEMAND RATE	MONTHS/ DAYS	AMOUNT	ANNUAL TOTAL
DTI	100035	FTNN	18,331	\$4.16190	12	915,501	
DTI	100103	FTNN	12,000	\$4.16190	12	599,314	
DTI	100051	FTNN	10,000	\$4.16190	12	499,428	
DTI	200085	FT	5,035	\$6.18990	12	373,994	
DTI	700013	FTNN-GSS	11,669	\$4.16190	5	242,826	
DTI	700036	FTNN-GSS	18,000	\$4.16190	5	374,571	3,005,634
TGT	8260	FT 1-4	5,272	\$0.26000	365	500,313	500,313
TRANSCO	1006505	FT, Zn 3-6	30	\$0.46057	365	5,043	
TRANSCO	1006505	FT, Zn 2-6	1,371	\$0.48988	365	245,143	
			1,401			250,187	250,187
TRANSCO	1002264	FT, Zn 1-5	385	\$0.43893	365	81,400	
TRANSCO	1002264	FT, Zn 2-5	566	\$0.42147	365	87,071	
TRANSCO	1002264	FT, Zn 3-5	1,313	\$0.39216	365	187,941	
			2,264			336,412	336,412
TRANSCO	1012381	FT, Zn 8-6	5,175	\$0.13061	365	246,706	246,706
TRANSCO	1012028	FT, Zn 4-5	44,627	\$0.34681	365	5,649,138	5,649,138
TRANSCO	9178381	FT, Zn 6-4	100,000	\$0.55367	365	20,208,955	20,208,955
						5,895,844	
TRANSCO	9103562	FT, Zn 3-5	20,000	\$0.35339	365	2,579,747	2,579,747
TRANSCO	9130053	FT, Zn 3-6	208	\$0.46057	365	34,966	
TRANSCO	9130053	FT, Zn 2-6	9,425	\$0.48988	365	1,685,248	
			9,633			1,720,215	1,720,215
TRANSCO	1003703	FT, Zn 1-5	27,906	\$0.43693	365	4,450,434	
TRANSCO	1003703	FT, Zn 2-5	41,037	\$0.42147	365	6,312,991	
TRANSCO	1003703	FT, Zn 3-5	95,208	\$0.39216	365	13,627,921	
			164,151			24,391,345	24,391,345
TRANSCO	1004190	FT, Zn 4-5	5,159	\$0.34681	90	161,027	
TRANSCO	1004190	FT, Zn 4-5	34,171	\$0.34681	90	1,066,576	
			39,330			1,227,603	1,227,603
TRANSCO	1004190	FT, Zn 4-5	4,643	\$0.34681	61	98,225	
TRANSCO	1004190	FT, Zn 4-5	30,754	\$0.34681	61	850,613	
			35,397			748,838	748,838
TRANSCO	1004996	FT, Zn 1-5	739	\$0.84252	90	56,035	
TRANSCO	1004996	FT, Zn 2-5	1,087	\$0.81316	90	79,533	
TRANSCO	1004996	FT, Zn 3-5	2,521	\$0.76750	90	171,887	
			4,347			307,455	307,455
COVE POINT		FTS	25,000	\$0.43880	12	131,640	131,640
CARDINAL	Expansion	Zone 2	50,000	\$0.11429	365	2,085,793	
CARDINAL	1031995	Zone 2	103,500	\$0.11429	365	4,317,590	
CARDINAL	1031994	Zone 1B	72,450	\$0.05303	365	1,402,339	7,805,722
COLUMBIA	49526	SST	35,335	\$6.02000	6	1,276,300	
COLUMBIA	49528	SST	17,687	\$6.02000	6	638,132	1,914,432
EAST TN PATRIOT	410097	FT-A	30,000	\$7.45200	12	2,682,720	2,682,720
EAST TN PATRIOT	410333	FT-A	20,000	\$9.67400	12	2,321,760	2,321,760
TEXAS EASTERN TRANSMISSION							
Compressor lease agreement				\$46,944	12	563,328	563,328
PIEDMONT Faith redelivery				\$760	12	9,120	9,120
SUB-TOTAL DEMAND CHARGES							\$76,601,269

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

FACILITY	RATE [\$/DT]	STORAGE QUANTITY	DAILY DEMAND	MONTHS/ DAYS	AMOUNT	SERVICE TOTAL
TRANSCO						
GSS						
DEMAND	\$0.10070		33,218	365	1,220,944	
CAPACITY	\$0.00053	1,835,944		365	355,163	1,576,108
WSS						
DEMAND	\$0.02557		29,416	365	274,541	
CAPACITY	\$0.00027	2,794,500		365	275,398	549,939
LNG						
DEMAND	\$0.03479		5,175	365	65,714	
CAPACITY	\$0.00670	25,875		365	63,277	128,991
ESS						
DEMAND	\$0.03510		37,717	365	483,211	
CAPACITY	\$0.00392	318,271		365	455,382	938,593
Emminence						
DEMAND	\$0.03510		38,545	365	493,819	
CAPACITY	\$0.00392	321,950		365	480,648	954,465
COLUMBIA FSS						
DEMAND	\$1.50100		35,335	12	836,454	
CAPACITY	\$0.02880	3,180,150		12	1,099,060	1,735,514
COVE POINT LNG						
RESV CHG - FPS-1	\$2.42300		25,000	12	726,900	726,900
DTI GSS						
DEMAND	\$1.86180		62,669	12	1,400,128	
CAPACITY	\$0.01450	3,855,000		12	870,944	2,071,070
PINE NEEDLE LNG						
RESV CHG	\$0.10480		103,500	365	3,951,527	3,951,527
SALTVILLE						
DEMAND	\$0.075083	600,000		12	540,600	
INJ RESERV	\$1.495000		13,333	12	239,194	
WD RESERV	\$0.751000		30,000	12	270,360	1,050,154
SALTVILLE - FSS						
DEMAND	\$0.138250	200,000		12	331,800	
INJ RESERV	\$3.322000		10,000	12	398,640	
WD RESERV	\$1.657000		20,000	12	397,680	1,128,120
SUB-TOTAL STORAGE COSTS						\$14,811,381
TOTAL FIXED GAS COSTS						\$91,412,650
ANNUALIZED SECONDARY MARKET CREDITS						(23,484,031)
NET TOTAL FIXED GAS COSTS						\$67,928,619
II. COMMODITY COSTS (in Therms and \$/Therm):						
SALES VOLUMES		491,921,582	\$0.225			\$110,682,356
UNACCOUNTED FOR GAS		7,027,614	\$0.225			1,581,213
COMPANY USE GAS		870,521	\$0.225			195,867
TOTAL COMMODITY COSTS						112,459,436
III. TOTAL GAS COST						\$180,388,055

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Exhibit F

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Budgeted Transmission Pipeline Integrity Projects	Total	Betterment	Betterment %
T-21 Replacement Phase I (Davis Dr to Morrisville/Carpenter Rd)	\$3,860,000	\$308,800	
T-21 Replacement Phase II (Morrisville/Carpenter Rd to Evans Rd)	4,600,000	368,000	
T-21 Replacement Phase III (Evans Rd to Reedy Creek Rd)	3,720,000	297,600	
T-21 Replacement (Launcher/Receiver Davis Drive)	850,000		
M-217 Replacement	15,400,000	8,778,000	
T-18B Extension	15,900,000		
T-1A Replacement (Weston Rd Regulator Station to Stockwood Rd)	11,500,000	3,335,000	
T-4 Replacement	6,800,000	1,972,000	
T-11/T-11B Retrofits Phase II	1,000,000		
T-4 Retrofits Phase I	2,750,000		
T-4 Retrofits Phase II	2,750,000		
T-33 Derate (New T-Line Installation)	18,000,000		
T-12B Retrofits [20"]	750,000		
T-68 Retrofits [12"]	600,000		
T-16 Replacement (Replace exposed pipe) [6"]	500,000		
T-33 - T-39 (Launcher/Receiver)	500,000		
Unspecified Projects - Pipeline Integrity	11,000,000	2,200,000	
Pipeline Integrity - FFS	13,000,000		
Total	\$113,480,000	\$17,259,400	15.20%

Budgeted Distribution Pipeline Integrity Projects	Total	Betterment	Betterment %
Hillsborough City Gate	\$900,000	\$90,000	
Gastonia Take-Off Regulator Station	350,000		
Wilkins Rd RS Replacement (Remove NC-56 Bridge Attachment)	400,000		
Risk Software	120,000		
Misc (Split Services, Bridge Attachments, Casing Replacement, Etc.)	10,000,000	1,000,000	
Total	\$11,770,000	\$1,090,000	9.30%

Exhibit G

Summary Timeline for Integrity Management Tracker

Activity	Effective Date
Integrity Management Adjustment periods	January 1 - June 30 / July 1 - December 31
PSNC annual report filed	January 31
PSNC IMRR computation filed	January 31 / July 31
PSNC files Integrity Management Deferred Account True-up Adj.	February 15
PSNC proposed Integrity Management Adjustment rates filed	February 15 / August 15
Effective date of new Integrity Management Adjustment rates	March 1 / September 1
Public Staff report/testimony and intervenor testimony filed	May 15
PSNC responsive testimony filed	June 1
Hearing (as needed)	2nd or 3rd week of June
Commission order issued	August 15
Effective date of adjustments based on Commission order	September 1

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CUSTOMER USAGE TRACKER - RIDER C

I. Definitions

- (a) "Customer Usage Deferred Account" shall mean a deferred account established under this Rider C subject to the Customer Usage Deferred Account Adjustment for such account.
- (b) "Customer Usage Deferred Account Adjustment" shall mean a monthly adjustment to the applicable Customer Usage Deferred Account as calculated under this Rider C.
- (c) "Customer Usage Adjustment" shall mean a per-Therm amount calculated under this Rider C, as a decrement or increment, to refund or recover the balance in the applicable Customer Usage Deferred Account.
- (d) "Relevant Rate Order" shall mean the final Order of the Commission in PSNC's most recent rate case fixing PSNC's rates or the most recent final order of the Commission specifically prescribing the factors and procedures to be used in the application of this Rider C.

II. Applicable Rate Schedules

The base rates for Service under PSNC's Rate Schedule Nos. 101, 102, 125, and-127, and 140 shall be subject to a Customer Usage Adjustment in accordance with this Rider C.

III. Computation of Customer Usage Deferred Account Adjustment

The Customer Usage Deferred Account Adjustment for each of the applicable rate classes shall be computed monthly to the nearest dollar using the following formulas:

$\text{Base Load Therms}_i = \text{Actual Customers}_i \times \text{Base Load}_i$

$\text{Heat Sensitive Therms}_i = \text{Actual Customers}_i \times \text{Heat Sensitivity Factor}_i \times \text{Normal Degree Days}$

$\text{Normalized Therms}_i = \text{Base Load Therms}_i + \text{Heat Sensitive Therms}_i$

$\text{Normalized Margin}_i = \text{Normalized Therms}_i \times \text{R Factor}_i$

$\text{Actual Margin}_i = \text{Actual Therms}_i \times \text{R Factor}_i$

$\text{Customer Usage Deferred Account Adjustment}_i = \text{Normalized Margin}_i - \text{Actual Margin}_i$

Where:

$i =$ any particular rate class

$\text{Actual Customers}_i =$ actual customers billed for the billing cycle month for the i^{th} rate class

$\text{Actual Therms}_i =$ actual Therms used for the billing cycle month for the i^{th} rate class

$\text{R Factor} =$ base rate (approved rate less fixed and commodity cost of Gas) for the i^{th} rate class used by the Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues

$\text{Heat Sensitivity Factor}_i =$ heat sensitivity factor for the i^{th} rate class used by the Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues

$\text{Normal Degree Days} =$ average normal heating degree days used by the Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues

$\text{Base Load}_i =$ base load sales for the i^{th} rate class used by the Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues

IV. Monthly Reports

PSNC will file with the Commission monthly reports that include: (a) computation of each Customer Usage Deferred Account Adjustment; (b) a schedule showing the effective date of each Customer Usage Deferred Account Adjustment; and (c) a schedule showing the factors of values derived from the Relevant Rate Order used in calculating each Customer Usage Deferred Account Adjustment. Such reports will be filed within 45 ~~dates~~ days after the end of the applicable month.

V. Computation of Customer Usage Adjustment

Effective for the first day of the April billing cycle month and the first day of the October billing cycle month, the Customer Usage Adjustment for each of the applicable Rate Schedules shall be calculated to the nearest one-thousandth of a cent per Therm using the following formula:

$$\text{Customer Usage Adjustment}_i = \text{Customer Usage Deferred Account Balance}_i / \text{Annual Therms}_i$$

Where:

$i =$ any particular rate class

Customer Usage Deferred Account Balance_i = balance of Customer Usage Deferred Account as of the end of January or July, as applicable

Annual Therms_i = normalized volumes assigned by the Commission in the Relevant Order

VI. Interest

Interest will be applied to the Customer Usage Deferred Account at ~~PSNC's overall rate of return authorized by the Commission in the Relevant Rate Order~~ a rate of 6.6% per annum. This rate shall be reviewed annually.

VII. Filing with Commission

PSNC will file a revision to its Tariff for Commission approval upon 14 days' notice to implement a decrement or increment each April and October. The filing will include the computation of each Customer Usage Adjustment.

INTEGRITY MANAGEMENT TRACKER - RIDER E

Under G.S. 62-133.7A the Commission may adopt a rate adjustment mechanism to allow a natural gas local distribution company to recover "the prudently incurred capital investment and associated costs of complying with federal gas pipeline safety requirements." These capital investment and associated costs are required in order to comply with federal laws and regulations, will generate no additional revenue for PSNC, and vary significantly in nature, scope, and scale from prior system reinforcement/maintenance projects and also from PSNC's more usual system expansion projects. The Integrity Management Tracker is authorized to allow PSNC to recover the integrity management plant investment net of excluded costs. At the time of PSNC's next general rate case proceeding, all prudently incurred Integrity Management Plant Investment associated with this Rider E shall be included in base rates and the Excluded Costs shall be eligible for inclusion in recoverable rate base.

I. Definitions

- (a) "Excluded Costs" means the portion of capital expenditures related to system enhancement and system strengthening of a capital project that results in more volumes, higher pressure, or larger pipe sizes. These costs are not included in the Integrity Management Plant Investment recovered through this Rider E.
- (b) "Integrity Management Adjustment" means a per-Therm amount calculated under this Rider E as an increment and applied to the applicable rate schedules to recover the IMRR biannually for the six-month periods ending June 30th and December 31st.
- (c) "Integrity Management Deferred Account" means a deferred account established under this Rider E subject to the Integrity Management Deferred Account Adjustment for such account.
- (d) "Integrity Management Deferred Account Adjustment" means a monthly adjustment to the Integrity Management Deferred Account as calculated under this Rider E.
- (e) "Integrity Management Deferred Account True-Up Adjustment" means an annual adjustment to recover the balance in the Integrity Management Deferred Account as of January 31st as calculated under this Rider E.
- (f) "Integrity Management Month Factor" means the percentage of annualized and normalized Therms as set forth in the Relevant Rate Order by month for the applicable rate schedules.
- (g) "Integrity Management Plant Investment" means the gross plant and associated costs incurred by PSNC resulting from prevailing federal standards for pipeline integrity and safety, net of Excluded Costs, and not otherwise included in current base rates.
- (h) "Integrity Management Revenue Requirement" or "IMRR" means the total annual revenue requirement for the Integrity Management Plant Investment as calculated under this Rider E.
- (i) "Relevant Rate Order" means the final order of the Commission in PSNC's most recent rate case fixing PSNC's rates or the most recent final order of the Commission specifically prescribing the factors and procedures to be used in the application of this Rider E.
- (j) "Special Contract" means any contract, including for electric generation, for Service entered into between PSNC and a Customer that provides for rates, terms or conditions that vary from those set forth PSNC's Tariff, Rate Schedules, or Rules and Regulations.
- (k) "Vintage year" means the fiscal year during which the Integrity Management Plant Investment is made.

II. Applicable Rate Schedules

The base rates for Service under PSNC's Rate Schedule Nos. 101, 102, 115, 125, 126, 127, 135, 140, 145, 150, 160, 165, 175, and 180 shall be subject to an Integrity Management Adjustment in accordance with this Rider E.

III. Computation of Integrity Management Revenue Requirement

- (a) PSNC shall file by January 31st and July 31st of each year information showing the computation of the IMRR that forms the basis of the biannual Integrity Management Adjustment for the six-month period ending the prior December 31st and June 30th, respectively.

(a)(b) The total revenue requirement will be calculated for each Vintage Year of Integrity Management Plant Investment, as follows:

<u>Integrity Management Plant Investment</u>	<u>\$X,XXX,XXX</u>
<u>Less: Accumulated Depreciation</u>	<u>XXX,XXX</u>
<u>Less: Accumulated Deferred Income Taxes</u>	<u>XXX,XXX</u>
<u>Net Plant Investment</u>	<u>\$X,XXX,XXX</u>
<u>Pre-Tax ROR set forth in the Relevant Rate Order</u>	<u>X.XX%</u>
<u>Allowed Pre-Tax Return</u>	<u>\$X,XXX,XXX</u>
<u>Plus: Depreciation Expense</u>	<u>XXX,XXX</u>
<u>Total</u>	<u>\$X,XXX,XXX</u>

(c) The IMRR for each Vintage Year of Integrity Management Plant Investment is reduced by a Special Contract Credit to compute the Net IMRR. The Net IMRR forms the basis for determining the Integrity Management Adjustment. The Special Contract Credit represents the amount provided by the Special Contracts towards the Integrity Management Plant Investment. Until PSNC's next general rate case, the Special Contract Credits applicable to each twelve-month period beginning January 1 are as follows:

<u>January 1, 2019</u>	<u>\$</u>
<u>January 1, 2020</u>	<u>\$</u>
<u>January 1, 2021</u>	<u>\$</u>
<u>January 1, 2022</u>	<u>\$</u>
<u>January 1, 2023</u>	<u>\$</u>

(d) The amount of the Special Contract Credit shall be amended one year after the effective date of any new contract or amendment, approved by the Commission after the effective date of this Rider E, where PSNC provides natural gas redelivery service to an electric generation customer at a levelized rate.

(e) For the purposes of determining the Net IMRR on a biannual basis, the Special Contract Credit shall be prorated by month using the Integrity Management Month Factors shown in subsection (f).

(f) Each month PSNC will charge its Integrity Management Deferred Account for the portion of the Net IMRR (the IMRR as reduced by the Special Contract Credit), that corresponds to that month. The monthly IMRR is the product of the annual Net IMRR and the Integrity Management Month Factor. The Integrity Management Month Factor for each month is as follows:

<u>January</u>	<u>XX%</u>
<u>February</u>	<u>XX%</u>
<u>March</u>	<u>XX%</u>
<u>April</u>	<u>XX%</u>
<u>May</u>	<u>XX%</u>
<u>June</u>	<u>XX%</u>
<u>July</u>	<u>XX%</u>
<u>August</u>	<u>XX%</u>
<u>September</u>	<u>XX%</u>
<u>October</u>	<u>XX%</u>
<u>November</u>	<u>XX%</u>
<u>December</u>	<u>XX%</u>

IV. Computation of Biannual Integrity Management Adjustment

(a) PSNC will file for Commission approval by February 15th and August 15th of each year a revision to its Tariff and information showing the computation of the Integrity Management Adjustment for each rate schedule that it proposes to charge during the six-month period beginning the following March 1st and September 1st, respectively.

(b) To compute the Integrity Management Adjustment, the Net IMRR shall first be apportioned to each customer class based on margin apportionment percentages established in the Relevant Rate Order. The customer class apportionment percentages are as follows:

Residential Rate Schedules 101, 102, 115	XX%
Commercial Rate Schedules 125, 126, 127, 135, 140	XX%
Large General - Firm Rate Schedules 145, 175	XX%
Large General - Interruptible Rate Schedules 150, 160, 165, 180	XX%

- (a)(c) The amount of the Net IMRR apportioned to each rate schedule will then be divided by the annual Therms as set forth in the Relevant Rate Order for each rate schedule to determine the Integrity Management Adjustment to the nearest one-thousandth cent per Therm. The annual Therms of throughput used in the computation of the Integrity Management Adjustment for each rate schedule is as follows:

Residential Rate Schedules 101, 102, 115	XX302,709,608
Commercial Rate Schedules 125, 126, 127, 135, 140	155,025,640XX
Large General - Firm Rate Schedules 145, 175	202,384,732XX
Large General - Interruptible Rate Schedules 150, 160, 165, 180	148,466,583XX

- (d) Each month PSNC will credit the Integrity Management Deferred Account for the amount of the Integrity Management Adjustment collected from customers. The amount of the Integrity Management Adjustment collected from Customers will be computed by multiplying the Integrity Management Adjustment for each rate schedule by the corresponding actual Therms of usage billed Customers for the month.

V. Computation of Integrity Management Deferred Account True-Up Adjustment

- (a) PSNC will file with the Commission by February 15th to recover through an Integrity Management Deferred Account True-Up Adjustment the balance in the Integrity Management Deferred Account as of the prior January 31st.
- (b) The Integrity Management Deferred Account True-Up Adjustment will be computed by multiplying the balance of the Integrity Management Deferred Account, as of January 31st, by the customer class apportionment percentages determined in Section IV above. The Integrity Management Deferred Account balance apportioned to each customer class shall then be divided by the annual Therms of throughput for each of the applicable rate schedules shown in Section IV above to determine the Integrity Management Deferred Account True-Up Adjustment applicable to each rate schedule for the following twelve-month period beginning March 1st. The Integrity Management Deferred Account True-Up Adjustment will be computed to the nearest one-thousandth cent per Therm.
- (c) PSNC may, at its discretion, file for further Integrity Management Deferred Account True-Up Adjustments throughout the year, upon 14 days' notice to the Commission

VI. Interest

Interest will be applied to the Integrity Management Deferred Account at a rate of 6.6% per annum. This rate shall be reviewed annually.

VII. Integrity Management Deferred Account

PSNC shall maintain an Integrity Management Deferred Account for the purpose of recording the monthly (a) Net IMRR, (b) Integrity Management Adjustment, (c) Integrity Management Deferred Account True-Up Adjustment, and (d) interest on the Integrity Management Deferred Account.

VIII. Monthly Filing with Commission

PSNC shall file monthly (a) a report providing in detail the current month's Integrity Management Plant Investment, including supporting documentation for the amount incurred by project, (b) the cumulative Integrity Management Plant Investment subject to this Rider E, and (c) a report of the activity recorded for the month in the Integrity Management Deferred Account. Such reports will be filed within 45 days after the end of the month for which the report is being filed.

IX. Annual Integrity Management Plant Investment Forecast

PSNC shall file by January 31st its projected three-year plan of Integrity Management Plant Investment, which will encompass Integrity Management Plant Investment planned for its next three fiscal years.

X. Review and Approval of Annual Report and Rates

- (a) PSNC shall file an annual report summarizing the Integrity Management Plant Investment for the prior 12-month period ending December 31st and the data substantiating and supporting its IMRR calculation for the next biannual Integrity Management Adjustment by January 31st.
- (b) Upon PSNC's annual report filing, the Public Staff and any other intervenors of record shall have until the following May 15th to review such filing and to prepare and file with the Commission a report of such review to include supporting testimony if disallowances or adjustments are proposed in such report. PSNC shall have until June 1st to respond to any report or testimony filed by the Public Staff or other intervenors and, to the extent necessary to resolve disputes regarding PSNC's annual report, such disputes shall be promptly scheduled for hearing by the Commission with the goal of resolving such disputes by Commission order issued by August 15th with corresponding rate adjustments made on a prospective basis on September 1st.

XI. Commission Review

The terms and conditions of this Rider E shall be reviewed, and prospective modifications considered by the Commission: (1) in PSNC's next general rate case; or (2) at the end of four years from the effective date of this Rider E, whichever first occurs. Furthermore, any interested party may petition the Commission to modify or terminate Rider E on the grounds that, as approved, it is no longer in the public interest.

TRANSPORTATION POOLING AGREEMENT

THIS AGREEMENT ("Agreement") is made this _____ day of _____, by and between PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED, a South Carolina corporation, doing business as, and hereinafter called, "PSNC Energy," with its main office at 800 Gaston Road, Gastonia, North Carolina 28056, and _____ (hereinafter "Pooler"), a _____ corporation, with its main office at _____.

WHEREAS, PSNC Energy is willing to permit its Customers or their agents, which obtain transportation, ~~whether firm, released, or interruptible, or any other form of transportation, on an interstate or a Pipeline,~~ to deliver Gas into PSNC Energy's system for the purpose of enabling PSNC Energy's Customers to satisfy all of their Gas requirements through the use of transportation Services provided by PSNC Energy; and

WHEREAS, Pooling will permit PSNC Energy's Customers or their agents to accumulate various privileges accorded individual transportation Customers for the benefit of a group of transportation Customers; and

WHEREAS, Pooling will benefit all of PSNC Energy's transportation Customers.

NOW, THEREFORE, for and in consideration of mutual covenants and promises contained herein, PSNC Energy agrees to permit Pooling, and Pooler agrees to pool Gas supplies hereunder, in accordance with the following terms and conditions:

ARTICLE I
Definitions

For the purposes of this Agreement, the following definitions shall apply:

1. "Customer(s)" means any recipient of transportation Service provided by PSNC Energy that procures its supply of Gas from a Pooler's Pool.
2. "Gas" means undiluted natural gas, or a substitute for natural gas, or any mixture of natural gas and a substitute for natural gas, as delivered by PSNC Energy.
3. "Gas Day" means a period of twenty-four (24) consecutive hours as defined by NAESB.
4. "NAESB" means the North American Energy Standards Board, or its successor.
5. "Operational Order" means an order issued by PSNC Energy when, in its sole discretion, PSNC Energy anticipates that an imbalance between Gas quantities delivered by Pooler into a Pool and deliveries to Customers out of the Pool during a Gas Day may threaten the integrity of PSNC Energy's system or operations or may impair service to firm customers.
36. "Pipeline" means any interstate pipeline, including Transco, which establishes a physical interconnection with PSNC Energy's pipeline system.
47. "Pool" shall mean an aggregation of Gas quantities for one or more PSNC Energy transportation Customers which Pooler establishes under this Agreement.
58. "Pooling" is a service provided by PSNC Energy whereby a broker, marketer, producer, or any consumer of Gas qualifying for transportation Service under PSNC Energy's tariffs, which obtains transportation ~~(firm, released, interruptible, or any other form),~~ on a Pipeline and aggregates Gas supplies needed to satisfy the full requirements of one or more transportation Customers of PSNC Energy, and such Customer or Customers have assigned its rights to Pooler as agent, or such Customer is acting on its own behalf, for the purpose of delivering Gas to PSNC Energy.
69. "Transco" means Transcontinental Gas Pipe Line Company, LLC, or its successor Corporation.

Any capitalized terms used herein, which are not defined herein, shall have the meanings set forth in PSNC Energy's Rules and Regulations.

ARTICLE II
Applicability

All persons and entities that obtain transportation, ~~whether firm, released, interruptible, or any other form of transportation,~~ on a Pipeline for the purpose of delivering Gas to an interconnection between Pipeline and PSNC Energy shall be required to execute a Transportation Pooling Agreement. Unless PSNC Energy agrees otherwise, only a single pooler may sell Gas to a Customer Account in one calendar month.

ARTICLE III
Term

This Agreement shall commence on the first day of _____, 20____, and shall continue thereafter for twelve (12) calendar months; provided, however, that the term shall be extended from year to year thereafter, subject to cancellation by either party upon expiration of the primary term or any subsequent one (1) year period upon at least thirty (30) days written notice given prior to expiration of the primary term or prior to the expiration of any one year period occurring thereafter. Notwithstanding the foregoing, PSNC Energy may cancel or discontinue service under this Agreement as provided in Articles VIII, IX, and X below.

ARTICLE IV
Transportation Nomination Procedures

For each month that this Agreement is in effect, Pooler must submit its nomination for each month's transportation to PSNC Energy using PSNC Energy's electronic bulletin board or such other means authorized by PSNC Energy no later than the NAESB deadline for the timely nomination cycle on the fourth business day prior to the beginning of each month, in writing or by facsimile on or before the deadline date indicated on the "Transportation Nomination Schedule" as published periodically by PSNC Energy. Such nominations shall include the following information:

1. ~~Pooler's legal name, Pipeline contract number, and Pipeline transportation activity number;~~
2. ~~daily quantity (Daily MMBTU) to be delivered to PSNC Energy;~~
3. ~~list including the names of all PSNC Energy Customers to be served by Pooler and the corresponding PSNC Energy Customer Account numbers; and~~
4. ~~effective date of transportation Service.~~

Intra-month revisions to Gas quantities being delivered Changes to nominations within the month must be submitted to PSNC Energy using PSNC Energy's electronic bulletin board or such other means authorized must be received by PSNC Energy in writing or by facsimile no later than 5 p.m. Eastern Time two days no later than the NAESB deadline for the timely nomination cycle on the day prior to the day of Gas flow. Nominations should reflect anticipated demand of the Customers to be served by Pooler. PSNC Energy will have no obligation to accommodate intraday nomination changes.

ARTICLE V
Pooling Procedures

For each month that this Agreement is in effect, PSNC Energy will allow Pooler to create a Pool in which Pooler shall aggregate all Gas quantities delivered to PSNC Energy by Pooler for delivery to PSNC Energy's Customer(s) or Pooler pursuant to Article IV above. Pooler agrees to make deliveries into its Pool at daily rates that are reasonably even and constant. Pooler may increase or decrease daily Gas deliveries to PSNC Energy provided that any such change does not impair PSNC Energy's operating ability, as determined by PSNC Energy, in its sole discretion.

Notwithstanding the foregoing, PSNC Energy may from time to time issue an Operational Order notifying Pooler to comply with any restrictions specified by PSNC Energy in the Operational Order. PSNC Energy will provide Pooler at least four (4) hours' advance notice of the effective time of any restrictions in an Operational Order. Pooler shall provide PSNC Energy with the names, titles, telephone numbers, and email addresses of at least two representatives authorized by Pooler to receive such notices and shall promptly notify PSNC Energy of any changes to such information.

When an Operational Order specifies that a Pooler take appropriate actions for any Gas Day to prevent deliveries to Customers out of its Pool from exceeding quantities delivered by Pooler into the Pool ("Under-Delivery"), upon Pooler's failure to comply with the Operational Order, Pooler shall pay PSNC Energy for each Dekatherm that Pooler's Under-Delivery is greater than five percent (5%) of Pooler's approved nomination a penalty equal to the higher of (i)

\$50 per Dekatherm or (ii) three times the "Transco, zone 5 del." Midpoint price published in Platts Gas Daily, "Daily price survey" for the flow date on which the Under-Delivery occurred. For days of consumption when Gas Daily is not published, the daily price published by Gas Daily on the nearest subsequent day shall be used.

When an Operational Order specifies that a Pooler take appropriate actions for any Gas Day to prevent Gas quantities delivered by Pooler into its Pool from exceeding deliveries to Customers out of the Pool ("Over-Delivery"), upon Pooler's failure to comply with the Operational Order, Pooler shall pay PSNC Energy for each Dekatherm that Pooler's Over-Delivery is greater than five percent (5%) of Pooler's approved nomination a penalty equal to the higher of (i) \$50 per Dekatherm or (ii) three times the "Transco, zone 5 del." Midpoint price published in Platts Gas Daily, "Daily price survey" for the flow date on which the Over-Delivery occurred. For days of consumption when Gas Daily is not published, the daily price published by Gas Daily on the nearest subsequent day shall be used.

ARTICLE VI Gas Measurement

The quantity and heating value of the Gas delivered by Pooler to PSNC Energy shall be determined by the transporting Pipeline(s) in the manner provided in its (their) tariff(s).

ARTICLE VII Full Requirements Service

For each month that this Agreement is in effect, Pooler agrees to satisfy the full requirements for Gas for each PSNC Energy Customer Account on Pooler's designated list provided pursuant to Article IV for each such month. Pooler's ability to satisfy all such requirements for Gas in any month shall be determined by subtracting the Customers' actual consumption for the listed Customer Accounts in that month from the total actual deliveries received in that month on the Pooler's account. Any imbalance resulting from an adjustment to actual consumption or deliveries due to meter inaccuracy, billing error, or otherwise, after the month in which such Gas requirements were determined, shall be cashed out under the procedure provided in Article VIII with all adjusted quantities cashed out under either paragraph 1 for shortage quantities or paragraph 1 for excess quantities, as applicable.

ARTICLE VIII Pool Balancing Procedures

In the event that Pooler's Pool has insufficient Gas available to satisfy the actual needs of the Customer Account(s) to be served from the Pool in any month, the cashout procedure shall be as follows:

1. If such shortage is less than or equal to ~~five percent (5%)~~ two percent (2%) of the Customers' actual usage, for each Dekatherm of such shortage, PSNC Energy shall sell to Pooler Gas required to cover such shortage quantities at a rate equal to the first of the month price for the month in which such shortage occurred for Transco Station 65 as published in Natural Gas Week, plus the one hundred percent (100%) load factor rate under Transco's currently effective Rate Schedule FT for deliveries from Transco's Zone 3 to Zone 5, plus applicable fuel retention and all applicable surcharges, for each Dekatherm of such shortage (a) for the months of November through March, the one hundred percent (100%) load factor rate under Transco's currently effective Rate Schedule FT for deliveries from Transco's Zone 3 to Zone 5, plus applicable fuel retention and all applicable surcharges, or (b) for the months of April through October, the commodity rate under Transco's currently effective Rate Schedule FT for deliveries from Transco's Zone 3 to Zone 5, including applicable fuel retention and surcharges, plus \$.05.
2. ~~If such shortage is greater than five percent (5%) but less than or equal to ten percent (10%) of the Customers' actual usage, PSNC Energy shall sell to Pooler Gas required to cover such shortage quantities at a rate equal to the higher of the first of the month price or the highest weekly price for any subsequent week for the month in which such shortage occurred for Transco Station 65 as published in Natural Gas Week, multiplied by a factor of one hundred and fifteen percent (115%), plus the one hundred percent (100%) load factor rate under Transco's currently effective Rate Schedule FT for deliveries from Transco's Zone 3 to Zone 5, plus applicable fuel retention and all applicable surcharges, for each Dekatherm of such shortage.~~
32. If such shortage is greater than ~~ten percent (10%)~~ two percent (2%) of the Customers' actual usage, for each Dekatherm of such shortage, PSNC Energy shall sell to Pooler Gas required to cover such shortage quantities at a rate equal to the higher of the first of the month price or the highest weekly price for any subsequent week for the month in which such shortage occurred for Transco Station 65 as published in Natural Gas Week, multiplied by a factor of one hundred and twenty-five percent (125%) the premium percentage shown below corresponding to the percentage of the shortage, plus the one hundred percent (100%) load factor rate under

Transco's currently effective Rate Schedule FT for deliveries from Transco's Zone 3 to Zone 5, plus applicable fuel retention and all applicable surcharges, for each Dekatherm of such shortage.

<u>Shortage Percentage</u>	<u>Premium Percentage</u>
Over 2% & equal to or less than 5%	110%
Over 5% & equal to or less than 10%	120%
Over 10% & equal to or less than 15%	130%
Over 15%	150%

In the event that Pooler's Pool has Gas in excess of the actual needs of the Customer Account(s) in any month, the cashout procedure shall be as follows:

1. If such excess is less than or equal to five percent (5%) ~~two percent (2%)~~ of the Customers' actual usage, for each Dekatherm of such overage, PSNC Energy shall purchase from Pooler such excess quantities of Gas at a rate equal to the first of the month price for the month in which the excess accumulated for Transco Station 65 as published in Natural Gas Week, plus (a) for the months of November through March, the one hundred percent (100%) load factor rate under Transco's currently effective Rate Schedule FT for deliveries from Transco's Zone 3 to Zone 5, plus applicable fuel retention and all applicable surcharges, or (b) for the months of April through October, the commodity rate under Transco's currently effective Rate Schedule FT for deliveries from Transco's Zone 3 to Zone 5, including applicable fuel retention and surcharges, plus \$.05.
2. If such excess is greater than five percent (5%) but less than or equal to ten percent (10%) of the Customers' actual usage, for each Dekatherm of such overage, PSNC Energy shall purchase from Pooler such excess quantities of Gas at a rate equal to the lower of the first of the month price or lowest weekly price for the month in which the excess accumulated for any subsequent week for Transco Station 65 as published in Natural Gas Week, multiplied by a factor of eighty-five percent (85%) plus (a) for the months of November through March, the one hundred percent (100%) load factor rate under Transco's currently effective Rate Schedule FT for deliveries from Transco's Zone 3 to Zone 5, plus applicable fuel retention and all applicable surcharges, or (b) for the months of April through October, the commodity rate under Transco's currently effective Rate Schedule FT for deliveries from Transco's Zone 3 to Zone 5, including applicable fuel retention and surcharges, plus \$.05.
32. If such excess is greater than ten percent (10%) ~~two percent~~ of the Customers' actual usage, for each Dekatherm of such overage, PSNC Energy shall purchase from Pooler such excess quantities of Gas at a rate equal to the lower of the first of the month price or lowest weekly price for any subsequent week for the month in which the excess accumulated for Transco Station 65 as published in Natural Gas Week, multiplied by a factor of seventy-five percent (75%) ~~the discount percentage shown below corresponding to the percentage of the excess~~, plus (a) for the months of November through March, the one hundred percent (100%) load factor rate under Transco's currently effective Rate Schedule FT for deliveries from Transco's Zone 3 to Zone 5, plus applicable fuel retention and all applicable surcharges, or (b) for the months of April through October, the commodity rate under Transco's currently effective Rate Schedule FT for deliveries from Transco's Zone 3 to Zone 5, including applicable fuel retention and surcharges, plus \$.05.

<u>Excess Percentage</u>	<u>Discount Percentage</u>
Over 2% & equal to or less than 5%	90%
Over 5% & equal to or less than 10%	80%
Over 10% & equal to or less than 15%	70%
Over 15%	50%

If, for any month, the imbalance in Pooler's Pool exceeds twenty-five percent (25%), either positive or negative, PSNC Energy shall have the right, in its sole discretion, to cancel this Agreement and to suspend the Pooler's right to establish a Pool for delivery to Customers that transport on PSNC Energy's system for twelve (12) months.

ARTICLE IX Creditworthiness

PSNC Energy shall not commence service to Pooler, and has the right to discontinue service upon five (5) days' written notice to Pooler, if Pooler fails to meet PSNC Energy's creditworthiness criteria. PSNC Energy shall apply consistent evaluative practices to determine the acceptability of Pooler's overall financial condition, working capital, and profitability trends. Acceptable creditworthiness is demonstrated by meeting the following criteria:

1. At PSNC Energy's request, Pooler shall provide current financial statements, annual reports, 10-K reports or

- other filings with regulatory agencies which discuss the Pooler's financial status, a list of all corporate affiliates, parent companies and subsidiaries, and any reports from credit reporting and bond rating agencies which are available.
2. At PSNC Energy's request, Pooler shall provide a bank reference and at least two trade references. Pooler authorizes PSNC Energy to obtain a current credit report on Pooler to determine whether to extend credit and releases generally all creditors to disclose otherwise confidential information. The results of reference checks and any credit reports submitted must show that Pooler's obligations are being paid on a prompt basis.
 3. At PSNC Energy's request, Pooler shall provide a guarantee by a person or another entity acceptable to PSNC Energy that satisfies the credit appraisal, or a standby irrevocable letter of credit drawn upon a bank acceptable to PSNC Energy.
 4. Pooler must not be operating under any chapter of the bankruptcy laws and must not be subject to liquidation or debt reduction procedures under state laws such as an assignment for the benefit of creditors, or any informal creditors' committee agreement.
 5. Pooler shall not be subject to the uncertainty of pending liquidation or regulatory proceedings in state or federal courts or before other governmental or regulatory bodies having jurisdiction, which could cause a substantial deterioration in its financial condition, a condition of insolvency, or an impairment of Pooler's ability to exist as an ongoing business entity.
 6. Pooler shall have no significant collection lawsuits or judgments outstanding that might affect Pooler's ability to remain solvent.
 7. If any of the events or actions described in paragraphs 4, 5, and 6 above shall be initiated or imposed during the terms of service under this Agreement, Pooler shall provide notification thereof to PSNC Energy within two (2) working days of any such initiated or imposed event or action.
 8. If Pooler has an ongoing business relationship with PSNC Energy, no delinquent balances shall be consistently outstanding for undisputed billings made previously by PSNC Energy, and Pooler must have paid its account in the past according to the established terms and not made deductions or withheld payment for claims other than for disputed billings.

ARTICLE X **Billing and Payment**

No later than three (3) business days following PSNC Energy's end-of-the-month meter reading date for the month of delivery, PSNC Energy will provide Pooler with a statement detailing the total quantities delivered by Pooler into its Pool for the preceding month as well as the total metered consumption in DekathermsMMBTU for each individual PSNC Energy Customer Account served by Pooler. Pooler is responsible for billing each of PSNC Energy's Customer(s) served from Pooler's Pool for all Gas consumed by such Customer(s) determined pursuant to Article VII above with the exception of unauthorized quantities or other penalties assessed directly to a Customer by PSNC Energy. PSNC Energy shall continue to bill its applicable transportation and Facilities Charges directly to the Customer.

If the total quantities present in Pooler's Pool fail to cover the total accumulated usage for PSNC Energy's Customer(s) served by Pooler's Pool in any month, PSNC Energy shall bill Pooler for any shortage quantities pursuant to the procedures described in Article VIII above. Such statement shall be furnished to Pooler by PSNC Energy no later than the fifth (5th) business day following PSNC Energy's end-of-the-month meter reading date for the month of delivery and is due and payable within ten (10) days after the statement date. A bill shall be deemed delinquent when it remains unpaid after the due date set forth on the bill. If Pooler fails to remit the full amount when due, interest on the unpaid portion shall accrue at a rate of one percent (1%) per month. If a Pooler withholds any portion of any amount billed by PSNC Energy as a disputed amount and any portion or all of the amount so withheld is determined to have been properly billed, then interest (as set forth above) shall accrue on the withheld amount that was properly billed from the data-date due until the date that PSNC Energy receives it. PSNC Energy may terminate this Agreement when any bill becomes delinquent.

If the total quantities present in Pooler's Pool exceed the total accumulated usage for the Customer(s) served from Pooler's Pool in any month, PSNC Energy shall purchase such Gas pursuant to the procedures described in Article VIII above. PSNC Energy shall furnish Pooler with a statement identifying the quantities purchased from Pooler no later than the fifth (5th) business day following PSNC Energy's end-of-the-month meter reading date for the month of delivery and shall pay Pooler no later than ten (10) days after the statement date.

ARTICLE XI
Force Majeure

The term "Force Majeure," as used herein, and as applied to PSNC Energy or Pooler, shall mean acts of law including governmental bodies acting pursuant to law, acts of God, strikes, lockouts or other disturbances, acts of a public enemy, war, blockades, insurrections, riots, epidemics, lightning, fires, floods, washouts, arrests, civil disturbances, explosions, breakage or accidents to machinery or lines of pipe, freezing of wells or pipelines, or any other cause, whether of the kind enumerated or otherwise, not reasonably within the control of the affected party. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party affected.

Such causes or contingencies affecting the performance of this Agreement by PSNC Energy or the Pooler shall not relieve the affected party of liability unless such party shall give notice and full particulars of such cause or contingency in writing or by facsimile to the other party as soon as reasonably practical after the occurrence of the cause relied upon, nor shall such causes or contingencies affecting this Agreement by either party relieve it of liability in the event of its concurring negligence, nor shall such causes or contingencies affecting the performance of this Agreement relieve either party from its obligations to make payments of amounts due under the Agreement for Gas already allocated to the Customers served by Pooler.

ARTICLE XII
Miscellaneous

1. No modification of the terms and provisions of this Agreement shall be or become effective except by the execution of a written agreement or by modification of PSNC Energy's Tariff.
2. No waiver by any party of any one or more defaults by any other party in the performance of any provisions of this Agreement shall operate or be construed as a waiver or any other default or defaults, whether of a like or of a different character.
3. Any company, which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of PSNC Energy or of Pooler, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Agreement. Without relieving itself of its obligations under this Agreement, any party may assign any of its rights hereunder to a company with which it is affiliated, but otherwise no assignment of this Agreement or any of the rights or obligations hereunder shall be made unless there first shall have been obtained the consent thereto in writing of the other party, provided that such consent will not be unreasonably withheld.
4. Except as otherwise provided, any notice, request, demand, statement, or bill provided for in this Agreement, or any notice which any party may desire to give to the other, shall be in writing and shall be considered as duly delivered when delivered to the United States Postal Service to be sent by registered or certified mail to the Post Office address of the parties hereto, as the case may be, or at such address as either party shall designate by formal written notice, as follows:

Notices to PSNC Energy:

PSNC Energy
Attention: Transportation & Administration
P O Box 1398
Gastonia, North Carolina 28053-1398
Telephone: (704) 834-6338
Facsimile: (704) 834-6555

Payments to PSNC Energy:

PSNC Treasurer's Account
Wells Fargo Bank N.A. Asheville, Charlotte, North Carolina
Minneapolis, MN 55702
ABA No: 121000240630-0021-9
Account No: 20706-59001624

Notices to Pooler: (Enter Applicable Information)

Pooler Name

Address

City / State/ Zip Code

Payments to Pooler: (Enter Applicable Information)

Pooler Name

Pooler Bank Name

ABA Number

Telephone Number _____

Account Number _____

Fax Number _____

6. The subject headings of the articles of this Agreement are inserted for the purpose of convenient reference and are not intended to be a part of the Agreement nor considered in any interpretation of the same.
7. The construction, interpretation, and performance of this Agreement shall be in accordance with the laws of the State of North Carolina, excluding any conflicts-of-law rule or principle which might refer the construction, interpretation, or performance of this Agreement to the law of another jurisdiction.
8. In the event of a conflict between the provisions of this Agreement and PSNC Energy's Tariff, PSNC Energy's Tariff shall control.
9. This Agreement supersedes all preexisting agreements for Pooling between PSNC Energy and Pooler.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as indicated below signed and witnessed, or their respective corporate seals to be hereto affixed and attested, the day and year first above written.

ATTEST: PSNC Energy

ATTEST: POOLER

By: _____
(Signature)

By: _____
(Signature)

Name: _____
(Type or Print)

Name: _____
(Type or Print)

Title: _____

Title: _____

By: _____
(Signature)

By: _____
(Signature)

Name: _____
(Type or Print)

Name: _____
(Type or Print)

Title: _____

Title: _____

J/A

Public Service Company of North Carolina, Inc.
Docket No. G-5, Sub 565
Public Staff Cost of Capital Data Request No. 2

May 24, 2016

2-16. Please describe the level of control or influence that SCANA and its affiliated companies have on the balances of common equity and long term debt of PSNC. This response should include a discussion on the Company's policy with regard to the amount of dividends paid to the parent company and a discussion on the influence that credit rating agencies have on such decisions.

RESPONSE:

PSNC strives to maintain an approximate balance of 50% debt and 50% equity, excluding goodwill. The decision to issue debt or equity is based solely on the financial needs of PSNC as a stand-alone company.

Dividends from PSNC must be reasonable compared to other regulated SCANA subsidiaries. Accordingly, PSNC currently declares approximately 60% of its earnings as dividends to SCANA to support the overall payment of dividends to investors. The same percentage is used for other regulated SCANA subsidiaries.

PSNC's unsecured debt securities currently hold ratings of A3 at Moody's and BBB+ at Standard & Poor's. It is the Company's objective to maintain investment grade ratings by incorporating targets into the strategic planning process that positively affect the metrics which are most closely monitored; these include maintaining the capital structure at a level consistent with the above mentioned mix of debt and equity and liquidity ratios at levels that support the current credit ratings.

PSNC General Rate Case
Docket No. G-5, Sub 565

RATE OF RETURN INCLUDING TAXES AND OTHER GROSS UP

	<u>Rate of Return</u>	<u>Gross up</u>	<u>Rate of Return With Gross Up</u>
LT Debt	5.52%	0.9961035	5.54%
ST Debt	0.77%	0.9961035	0.77%
Equity	9.70%	0.6215686	15.61%
Overall ROR	7.53%		

See Boswell Exh 1 Sch 5(a) for cost rates, retention factor

NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP

DATE 3/29/16 DOCKET #: G-5 Sub 565
NAME AND TITLE OF ATTORNEY Mary Lynne Grigg
FIRM NAME McGuire Woods LLP
ADDRESS 2607 Two Harrows Sq
CITY Raleigh ZIP 27607

APPEARING FOR:

APPLICANT ☒ COMPLAINANT _____ INTERVENER _____
PROTESTANT _____ RESPONDENT _____ DEFENDANT _____

PLEASE NOTE: Electronic Copies of the regular transcript can be obtained from the NCUC web site at <http://NCUC.commerce.state.nc.us/docketarch.html> under the respective docket number.

_____ Number of Electronic Copies for regular transcript. There will be a charge of \$8.00 for each emailed copy. Please indicate your name, phone number and email below.

_____ Number of copies of Confidential portion of regular transcript assuming a confidentiality agreement has been signed. This will be mailed.

Name: _____

Phone #: _____

Email: _____

Signature:  _____

PLEASE SIGN BELOW IF YOU HAVE SIGNED A CONFIDENTIALITY AGREEMENT. CONFIDENTIAL PORTIONS OF TRANSCRIPT WILL ONLY BE PROVIDED UPON SIGNATURE.

Signature: _____

NORTH CAROLINA UTILITIES COMMISSION

APPEARANCE SLIP

DATE 8/29/16 DOCKET #: G-5, SUB 565
 NAME AND TITLE OF ATTORNEY CRAIG COLLINS, ASSOC. GEN. COUNSEL
 FIRM NAME SCANA
 ADDRESS MC C222 220 OPERATION WAY
 CITY CAYCE, SC ZIP 29033

APPEARING FOR:

APPLICANT <input checked="" type="checkbox"/>	COMPLAINANT	INTERVENER
PROTESTANT	RESPONDENT	DEFENDANT

PLEASE NOTE: Electronic Copies of the regular transcript can be obtained from the NCUC web site at [HTTP://NCUC.commerce.state.nc.us/docksrch.html](http://ncuc.commerce.state.nc.us/docksrch.html) under the respective docket number.

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Name: _____
 Phone #: _____
 Email: _____

Signature: *Craig Collins*

PLEASE SIGN BELOW IF YOU HAVE SIGNED A CONFIDENTIALITY AGREEMENT. CONFIDENTIAL PORTIONS OF TRANSCRIPT WILL ONLY BE PROVIDED UPON SIGNATURE.

Signature: _____

NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP

DATE 8/30/16 DOCKET #: G-5, Sub 565
NAME AND TITLE OF ATTORNEY William R. Pittman
FIRM NAME _____
ADDRESS PO Box 706
CITY Raleigh ZIP 27602

APPEARING FOR:

APPLICANT <input checked="" type="checkbox"/>	COMPLAINANT _____	INTERVIEWER _____
PROTESTANT _____	RESPONDENT _____	DEFENDANT _____

PLEASE NOTE: Electronic Copies of the regular transcript can be obtained from the NCUC web site at HHS.ncuc.commerce.state.nc.us/docketsearch.html under the respective docket number.

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Email: _____

Signature: _____

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Signature: _____

NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP

DATE August 30, 2016 DOCKET #: 6-5, Sub 565
NAME AND TITLE OF ATTORNEY Adam Olls, Attorney for Evergreen Packaging
FIRM NAME Bailey & Dixon, LLP
ADDRESS 434 Fayetteville Street, Suite 2500
CITY Raleigh ZIP 27601

APPEARING FOR: Blue Ridge Paper & Products, Inc. & b/c Evergreen Packaging

APPLICANT _____ COMPLAINANT _____ INTERVIEWER ☒
PROTESTANT _____ RESPONDENT _____ DEFENDANT _____

PLEASE NOTE: Electronic Copies of the regular transcript can be obtained from the NCUC web site at HTTP://NCUC.commerce.state.nc.us/docketron.html under the respective docket number.

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Name: _____
Phone #: _____
Email: _____

Signature: _____

PLEASE SIGN BELOW IF YOU HAVE SIGNED A CONFIDENTIALITY AGREEMENT. CONFIDENTIAL PORTIONS OF TRANSCRIPT WILL ONLY BE PROVIDED UPON SIGNATURE.

Signature: _____

NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP

DATE 8/30/16 DOCKET #: G-5, Sub 565
NAME AND TITLE OF ATTORNEY Robert F. Page
FIRM NAME Cripp, Page & Currin, LLP
ADDRESS 4010 Barrett Dr., Suite 205
CITY Raleigh ZIP 27609

APPEARING FOR: Carolina Utility Customers Association, Inc.

APPLICANT _____	COMPLAINANT _____	INTERVENER <input checked="" type="checkbox"/>
PROTESTANT _____	RESPONDENT _____	DEFENDANT _____

PLEASE NOTE: Electronic Copies of the regular transcript can be obtained from the NCUC web site at [HTTP://NCUC.commerce.state.nc.us/docksrch.html](http://NCUC.commerce.state.nc.us/docksrch.html) under the respective docket number.

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Name: _____
Phone #: _____
Email: _____

Signature: _____

PLEASE SIGN BELOW IF YOU HAVE SIGNED A CONFIDENTIALITY AGREEMENT. CONFIDENTIAL PORTIONS OF TRANSCRIPT WILL ONLY BE PROVIDED UPON SIGNATURE!

Signature: _____

NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP

DATE Aug 30, 2015 DOCKET #: G.5 Sub 565
NAME AND TITLE OF ATTORNEY Margaret Force
FIRM NAME Attorney General's Office
ADDRESS PO Box 629
CITY Raleigh ZIP 27602

APPEARING FOR: The Using and Consuming Public

APPLICANT	COMPLAINANT	INTERVENER
PROTESTANT	RESPONDENT	DEFENDANT

✓

PLEASE NOTE: Electronic Copies of the regular transcript can be obtained from the NCUC web site at [HTTP://NCUC.commerce.state.nc.us/docketron.html](http://ncuc.commerce.state.nc.us/docketron.html) under the respective docket number.

1 Number of Electronic Copies for regular transcript. There will be a charge of \$5.00 for each emailed copy. Please indicate your name, phone number and email below.

1 Number of copies of Confidential portion of regular transcript (assuming a confidentiality agreement has been signed). This will be mailed.

Name: Margaret Force
Phone #: 919-716-6053
Email: Pforce@ncdoj.gov

Signature: Margaret Force

PLEASE SIGN BELOW IF YOU HAVE SIGNED A CONFIDENTIALITY AGREEMENT. CONFIDENTIAL PORTIONS OF TRANSCRIPT WILL ONLY BE PROVIDED UPON SIGNATURE.

Signature: Margaret Force

NORTH CAROLINA UTILITIES COMMISSION
PUBLIC STAFF - APPEARANCE SLIP

DATE August 29, 2016 DOCKET #: G-5, Sub 565

PUBLIC STAFF MEMBER Gina C. Holt / William Grantmyre / Heather Fennell

ORDER FOR TRANSCRIPT OF TESTIMONY TO BE **EMAILED** TO THE
PUBLIC STAFF - PLEASE INDICATE YOUR DIVISION AS WELL AS
YOUR EMAIL ADDRESS BELOW:

ACCOUNTING michelle.boswell@psncuc.nc.gov;
julie.perry@psncuc.nc.gov; jim.hoard@psncuc.nc.gov
WATER _____
COMMUNICATIONS _____
ELECTRIC _____
GAS jan.larsen@psncuc.nc.gov; neha.patel@psncuc.nc.gov
TRANSPORTATION _____
ECONOMICS _____
LEGAL william.grantmyre@psncuc.nc.gov;
gina.holt@psncuc.nc.gov; heather.fennell@psncuc.nc.gov;
CONSUMER SERVICES _____

PLEASE NOTE: Electronic Copies of the regular
transcript can be obtained from the NCUC web site at
HTTP://NCUC.commerce.state.nc.us/docksrch.html under
the respective docket number.

_____ Number of copies of confidential portion of
regular transcript (assuming a confidentiality
agreement has been signed). Confidential pages will
still be received in paper copies.

***PLEASE INDICATE BELOW WHO HAS SIGNED A
CONFIDENTIALITY AGREEMENT. IF YOU DO NOT SIGN, YOU
WILL NOT RECEIVE THE CONFIDENTIAL PORTIONS!!!!

Signature of Public Staff Member