

**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)

**PARTIAL
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 partial 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 were ultimately able to arrive at a partial settlement of the many issues, the terms of which are reflected in the following sections of this Partial Stipulation and the exhibits attached hereto. The Partial Stipulation involves substantial adjustments to the Company's filed case and resolved all but one issue.

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 Parties do not agree to a level of rate base in this proceeding. The Parties agree to the following: 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. The Parties do not agree to the amount of Lead-Lag Study Cash Working Capital or the amount of Deferred Regulatory Assets that should be included in rate base. With respect to the Lead-Lag-Study Cash Working Capital, the Stipulating Parties agree on the lead and lag days to be used in the lead/lag study to determine the amount of investor supplied funds to be reflected in working capital and included in rate base. The final amount to be included in rate base is dependent on the resolution of the outstanding items. The Stipulating Parties have agreed that the amount of deferred DIMP costs of \$1,200,875 should be included in rate base, but have not agreed on the amount of deferred PIM or deferred MGP clean-up costs that should be included in rate base.

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. The Parties agree to a level of operating expenses for use in this proceeding with the exception of the yet-to-be determined annual amortization expense resulting from MGP Clean-up Cost and PIM Cost amortizations discussed below.

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%.

E. **Rate Design.** The Stipulating Parties are still continuing to work on rate design issues since the revenue requirement increase has not yet been determined. Notwithstanding the pending determination of the revenue requirement, the Stipulating Parties agree in principle that after a determination of the revenue requirement, each energy charge for Rate Schedule 145 and Rate Schedule 150 will be increased by no more than 3.25% and each existing energy charge for Rate Schedule 175 and Rate Schedule 180 will be increased by no more than 2.25%. The Stipulating Parties agree to work in good faith to explore the development of an additional usage tier for Rate Schedule 175 for filing on or before PSNC's rebuttal testimony in this case.

F. **Fixed Gas Costs.** 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.

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 until the resolution of the Company's next general rate case. The Stipulating Parties have agreed to the amount of deferred DIMP costs to be included in rate base and 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.

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 do not agree on the balance of this deferred asset to be amortized or the amount of the annual amortization expense.

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 do not agree on the balance of this deferred asset to be amortized or the amount of the annual amortization expense.

6. **Customer Usage Factors.** The Parties do not 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 because the unit margins have yet to be determined pending resolution of the MGP Clean-up cost and PIM costs amortizations discussed above.

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 G 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 A:

- 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 B.

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 C 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 Partial 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 Partial 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 Partial 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 Partial 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 Partial Stipulation. The Stipulating Parties further agree that the Company will file supplemental testimony in support of the Partial Stipulation provided that such testimony shall not be inconsistent with this Partial Stipulation. The Public Staff and the Company do not agree to waive cross-examination of the Public Staff's testimony and the Company's rebuttal testimony on issues not agreed to in this Partial Stipulation.

19. **Entire Partial Stipulation Accepted.** This Partial Stipulation is the product of give-and-take negotiations, and no portion of this Partial Stipulation shall be binding on the Stipulating Parties unless the entire Partial 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 Partial Stipulation. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This Partial 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 Partial Stipulation.

The foregoing is agreed and stipulated to this the 18th day of August, 2016,

Public Service Company of North Carolina, Inc.

Mary Z Grigg

Public Staff-North Carolina Utilities Commission

John C. Hall

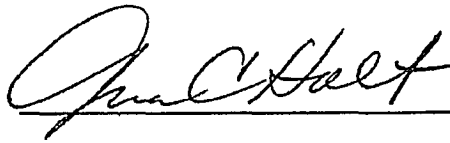
Blue Ridge Paper Products Inc.
d/b/a Evergreen Packaging

Carolina Utility Customers Association, Inc.

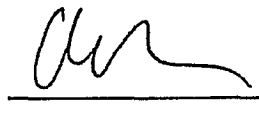
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Public Service Company of North Carolina, Inc.

Public Staff-North Carolina Utilities Commission



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



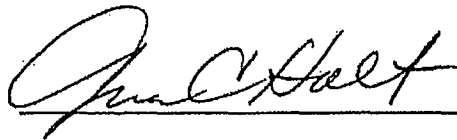
, Attorney for Evergreen

Carolina Utility Customers Association, Inc.

The foregoing is agreed and stipulated to this the 18th 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.



Exhibit A

OFFICIAL COPY

Aug 18 2016

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 B
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

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

$\text{R Factor}_i =$ 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:

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

(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>January 1, 2020</u>	\$
<u>January 1, 2021</u>	\$
<u>January 1, 2022</u>	\$
<u>January 1, 2023</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>	XX%
<u>February</u>	XX%
<u>March</u>	XX%
<u>April</u>	XX%
<u>May</u>	XX%
<u>June</u>	XX%
<u>July</u>	XX%
<u>August</u>	XX%
<u>September</u>	XX%
<u>October</u>	XX%
<u>November</u>	XX%
<u>December</u>	XX%

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

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

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~~ 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 ~~Dekatherms~~MMBTU 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 ~~date~~ 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 NAWachovia, Charlotte, North
Carolina
Minneapolis, MN 55702
ABA No: 121000240530-0021-9
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: _____