

# ***"Quarterly Review"***

**FILED**

JUL 15 2013

Clerk's Office  
N.C. Utilities Commission

## ***Selected Financial and Operational Data:***

***Re:***

### ***Electric Companies***

- ***Duke Energy Carolinas, LLC***
- ***Duke Energy Progress, Inc.,  
d/b/a Duke Energy Progress***
- ***Virginia Electric and Power Company,  
d/b/a Dominion North Carolina Power***

### ***Natural Gas Local Distribution Companies***

- ***Piedmont Natural Gas Company, Inc.***
- ***Public Service Company of North Carolina, Inc.,  
d/b/a PSNC Energy***

■ ***Quarter Ending March 31, 2013*** ■

Prepared by:  
North Carolina Utilities Commission  
Operations Division

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July 15, 2013

**MEMORANDUM**

**TO:** Chairman Edward S. Finley, Jr.  
Commissioner Bryan E. Beatty  
Commissioner Susan W. Rabon  
Commissioner Tonola D. Brown-Bland  
Commissioner Don M. Bailey  
Commissioner Jerry C. Dockham  
Commissioner James G. Patterson

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

The Operations Division hereby presents for your consideration the *Quarterly Review* for the calendar quarter ending March 31, 2013. Such report, which has been prepared by the Operations Division, presents an overview of selected financial and operational information and data for five major investor-owned public utilities regulated by the Commission.

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

Thank you for your consideration.

DRH/FHH/BBK/jme

## *Table of Contents*

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<i>Part</i>		<i>Page</i>
I	<i>Introduction</i>	1
II	<i>Review of Key Financial Ratios:</i>	9
	■ <i>Summary Statement of Key Financial Ratios For Five Selected Companies For The Twelve Months Ended March 31, 2013 — Returns on Common Equity, Overall Rates of Return, Common Equity Capitalization Ratios, and Debt Ratios — And Certain Rate Case Data</i>	10
	■ <i>Statement of Authorized Returns on Common Equity and Overall Rates of Return Granted By Various Public Utility Regulatory Agencies As Reported By <u>Public Utilities Reports</u>, Volume Nos. 295-303, from March 2012 Through March 2013</i>	12
III	<i>Overviews of Selected Financial and Operational Data By Utility:</i>	14
	■ <i>Electric Companies:</i>	
	■ <i>Duke Energy Carolinas, LLC</i>	15
	■ <i>Duke Energy Progress, Inc., d/b/a Duke Energy Progress</i>	16
	■ <i>Virginia Electric and Power Company, d/b/a Dominion North Carolina Power</i>	17
	■ <i>Natural Gas Local Distribution Companies:</i>	
	■ <i>Piedmont Natural Gas Company, Inc.</i>	18
	■ <i>Public Service Company of North Carolina, Inc., d/b/a PSNC Energy</i>	19
IV	<i>Telecommunications Companies – Annual Report Filings</i>	20
V	<i>Appendix A – Electronic Distribution List</i>	

# *Part I*

## *Introduction*

- *The purpose, structure, focus, and an abbreviated synopsis of the nature of the contents of this report is presented here.*

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The *Quarterly Review* has been designed and is structured so as to provide, in a clear and concise format, relevant and useful financial and operational information pertaining to five major investor-owned public utilities regulated by the North Carolina Utilities Commission (Commission): three electric companies and two natural gas local distribution companies. The primary focus of this report is one of a jurisdictional financial nature. However, albeit limited, certain jurisdictional operational information is also included.

To a vast extent the information presented herein is organized into individual company overviews and covers a period of five years. From a general viewpoint, the individual company overviews provide information that users of this report will find helpful from the standpoint of gaining insight into each company's jurisdictional financial standing and in acquiring a sense of the magnitude of each company's overall jurisdictional economic dimension.

Significant changes have taken place with regard to the annual reporting requirements for the price plan regulated telephone companies which have impacted the conformity and comparability of the financial and operational information provided by such companies for the 12-month reporting period ending December 31, 2011 and beyond. Specifically, on June 30, 2011, in Docket No. P-100, Sub 72b, the Commission issued an Order ruling on a petition filed by the North Carolina Telecommunications Industry Association, Inc. on March 16, 2011, requesting modification or elimination of certain reporting requirements relating to incumbent local exchange companies (ILECs) and/or competing local providers. The June 30, 2011 Order, among other things, revised Commission Rule R1-32 by adding a new Subsection (e1). Such revision allows ILECs, that are price plan regulated under G.S. 62-133.5(a), and any carrier electing regulation under G.S. 62-133.5(h) or (m) to satisfy all of their annual reporting obligations by one of the two following ways: (1) by providing a link to their annual filings with the Securities and Exchange Commission (SEC), if they are publicly traded entities, or (2) by filing copies of their audited financial statements with the Commission, if they are not publicly traded entities. The foregoing would be in lieu of filing annual reports regarding the North Carolina Operations on forms furnished or approved by the Commission. Price plan regulated telephone companies are to either provide their annual reports to the Commission or otherwise satisfy their annual reporting obligations under Commission Rule R1-32, Subsection (e1) as soon as possible after the close of the calendar year, but in no event later than the 30<sup>th</sup> day of April of each year for the preceding calendar year.

Seven of the eight ILECs for which the Commission last reported financial information for the 12-month period ending December 31, 2010, have since chosen to meet their annual reporting obligation by providing links to their annual filings with the SEC. As a result of such significant changes in the annual reporting requirements, financial information related to the telecommunications companies is no longer being provided in this report. However, for the following ILECs: (1) BellSouth Telecommunications, LLC, d/b/a AT&T North Carolina (AT&T North Carolina); (2) Carolina Telephone and Telegraph Company LLC, d/b/a

CenturyLink (Carolina Telephone); (3) Central Telephone Company, d/b/a CenturyLink (Central); (4) Mebtel, Inc., d/b/a CenturyLink (Mebtel); (5) Frontier Communications of the Carolinas Inc. (Frontier); (6) Verizon South Inc. (Verizon South); (7) Windstream Concord Telephone, Inc. (Concord); (8) Windstream Lexcom Communications, Inc. (Lexcom); and (9) Windstream North Carolina, LLC (Windstream NC) the url addresses/links to their 2012 annual filings with the SEC are provided in the report in Part IV.

With respect to other changes related to matters concerning the price plan regulated telephone companies, on June 30, 2009, House Bill 1180 (HB1180) became law as set forth in Session Law 2009-238. Said law, entitled “An Act Establishing the Consumer Choice and Investment Act of 2009,” created a new category of price plan operation whereby any local exchange carrier or competing local provider may choose to adopt by simply “filing notice of its intent to do so with the Commission,” with such election being effective immediately upon filing. Subsection (h) price plans<sup>1</sup> provide for extensive deregulation of an eligible telecommunications company’s “terms, conditions, rates, or availability” relating to its retail services. A local exchange company electing Subsection (h) is required to continue to offer stand-alone basic residential lines to all customers who subscribe to that service at rates that can be increased annually by no more than the percentage increase over the prior year in the Gross Domestic Product Price Index (GDP-PI). While such deregulation is very extensive by historical standards, it is not a complete deregulation of the telecommunications industry.<sup>2</sup>

Currently, there are nine incumbent local exchange carriers operating under Subsection (h) price plans as a result of their notices of election filed pursuant to G.S. 62-133.5(h): (1) Verizon South<sup>3</sup> (notice filed on July 21, 2010 to become effective immediately, in Docket No. P-19, Sub 277M); (2) Frontier (notice filed January 30, 2012 to become effective immediately, in Docket No. P-1488, Sub 1A); (3) Carolina Telephone (notice filed March 8, 2012 to become effective April 1, 2012, in Docket No. P-7, Sub 825M); (4) Central (notice filed March 8, 2012 to become effective April 1, 2012, in Docket No. P-10, Sub 479N); (5) Mebtel (notice filed March 8, 2012 to become effective April 1, 2012, in Docket No. P-35, Sub 96I); (6) Concord (notice filed July 26, 2012 to become effective immediately, in Docket No. P-16, Sub 181L); (7) Lexcom (notice filed July 26, 2012 to become effective immediately, in Docket No. P-31, Sub 145C); (8) Windstream NC (notice filed July 26, 2012 to become effective immediately, in Docket No. P-118, Sub 86L); and (9) North State Telephone Company, d/b/a North State Communications (North State) (notice filed November 30, 2012 to become effective immediately, in Docket No. P-42, Sub 137F). As a result of such elections, these nine telecommunications companies are no longer required to provide an annual report

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<sup>1</sup> In general, the Commission refers to the new price plan category which resulted from the passage of HB1180 as “Subsection (h) price plans”.

<sup>2</sup> See Docket No. P-100, Sub 165 for additional information regarding the implications of the enactment of HB1180 and the implementation of Subsection (h) price plans.

<sup>3</sup> Such election relates only to Verizon South’s Knotts Island exchange.

to the Commission as directed by Commission Rule R1-32, commencing with the calendar year in which such election becomes effective (2010: Verizon South; 2012: Frontier, Carolina Telephone, Central, Mebtel, Concord, Lexcom, Windstream NC, and North State). Alternatively, as required by the Commission's March 30, 2010 Order in Docket No. P-100, Sub 165, these telecommunications companies will provide the Commission, on an annual basis, a link to their financial filings with the SEC.

Furthermore, on April 26, 2011, Senate Bill 343 (SB 343) became law as set forth in Session Law 2011-52. Said law, entitled "An Act Establishing the Communications Reform and Investment Act of 2011," created a new category of price plan operation outlined in G.S. 62-133.5(m)<sup>4</sup> whereby any local exchange company that forgoes receipt of any funding from a state universal service fund or alternative funding mechanism and whose territory is open to competition from competing local providers may choose to adopt a Subsection (m) price plan<sup>5</sup> by simply "filing notice of its intent to do so with the Commission," with such election being effective immediately upon filing. Subsection (m) price plans provide, among other things, that "the Commission shall not impose any requirements related to the terms, conditions, rates, or availability of any of the local exchange company's retail services."<sup>6</sup>

Currently, AT&T North Carolina<sup>7</sup> is the only incumbent local exchange carrier operating under a Subsection (m) price plan. On October 14, 2011, in Docket No. P-55, Sub 1013M, AT&T North Carolina filed its notice of election of a Subsection (m) price plan. Prior to such election, AT&T North Carolina was operating under a Subsection (h) price plan.<sup>8</sup> As set forth by the Commission's November 22, 2011 Order in Docket No. P-100, Sub 165A, AT&T North Carolina will continue to provide the Commission, on an annual basis, a link to its financial filings with the SEC.

This report has been prepared solely for the use of the Commission. The responsibility for developing and preparing the report is that of the Commission's Operations Division. The

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<sup>4</sup>The enabling legislation was initially specified in G.S. 62-133.5(l); however such reference has been renumbered and codified in the General Statutes of North Carolina as G.S. 62-133.5(m). Consequently, on April 27, 2012, the Commission issued an Errata Order to correct the reference of Subsection (l) in prior Commission orders to Subsection (m) for consistency with the codification in the General Statutes.

<sup>5</sup> In general, the Commission refers to the new price plan category which resulted from the passage of SB 343 as "Subsection (m) price plans".

<sup>6</sup> Such retail services include stand-alone basic residential lines. See Docket No. P-100, Sub 165A for additional information regarding the implications of the enactment of SB 343 and the implementation of Subsection (m) price plans.

<sup>7</sup> Effective July 1, 2011, BellSouthTelecommunications, Inc., d/b/a AT&T North Carolina changed its legal classification from a corporation to an LLC and began transacting business as BellSouth Telecommunications, LLC d/b/a/AT&T North Carolina.

<sup>8</sup> On October 5, 2009, in Docket No. P-55, Sub 1013M, AT&T North Carolina filed its notice of election of a Subsection (h) price plan.



preponderance of the information and data included in and/or on which the report is based has been provided by the companies. Such data has not been audited or otherwise verified. Therefore, the Operations Division, although it believes the aforesaid data to be true and correct in each and every respect, cannot and does not offer any attestation in that regard.

### *A Specific Objective*

A specific objective of this reporting process is to present to the Commission, on an ongoing basis, meaningful information regarding the financial viability of the subject companies, including the reasonableness of the overall levels of rates and charges currently being charged by jurisdictional utilities, whose rates are cost based, for their sales of services. Cost based regulation is synonymous with rate base, rate of return regulation.

Under rate base, rate of return regulation, the cost of service of a public utility is defined as the sum total of reasonable operating expenses, depreciation, taxes, and a reasonable return on the net valuation of property used and useful in providing public utility services. Therefore, the reasonableness of a public utility's rates is a function of the reasonableness of the level of each individual component of its cost of service.

The reasonable return component of the cost of service equation refers to the overall rate of return related to investment funded by all investors, including debt investors as well as preferred and common equity investors.<sup>9</sup> The costs of debt capital and preferred stock, which are essentially fixed by contract, must be deducted from revenue, like all other components of the cost of service, in determining income available for distribution to common stockholders. Therefore, generally speaking, a very meaningful measure of the profitability of any utility, and consequently the reasonableness of its overall rates and charges, is the return earned on its common shareholders' investment, i.e., its return on common equity, over some specified period of time. Typically, such returns are measured over a period of one year. Thus, annual returns on common equity and certain other key financial ratios, which among other things give significant perspective to the common equity returns, are the focal points of this report.

### *The Key Financial Ratios*

Specifically, the key financial ratios presented herein for use in reviewing the companies' financial viabilities, including their profitability and consequently the reasonableness of their rates and charges are (1) the return on common equity, (2) the common equity capitalization ratio, (3) the pretax interest coverage ratio, and (4) the overall rate of return.

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<sup>9</sup> Regarding Limited Liability Corporations (LLCs), equity investors are, typically, referred to as "members" rather than as "shareholders or stockholders". Consequently, references to "common shareholders/stockholders", as contained herein, are also intended to apply to equity investors of LLCs as well. Additionally, discussion regarding "return on common equity" and the "common equity capitalization ratio" would also apply to the LLC's "return on members' equity" and "members' equity capitalization ratio".

### *The Return on Common Equity*

As indicated, the return on common equity is a key financial indicator which measures the profitability of an enterprise from the standpoint of its common stockholders over some specified period of time. That return or earnings rate reflects the ratio of earnings available for common equity to the common-equity investors' capital investment. As previously stated, the ratio is significant because it traditionally represents profitability after all revenues and costs, other than the cost of common equity capital, have been considered. From the standpoint of measuring profitability, return on common equity is indeed "the bottom line".

### *The Common Equity Capitalization Ratio*

The common equity capitalization ratio is the ratio of common equity capital to total investor-supplied capital of the firm. That ratio is significant because it is a major indicator of the financial riskiness of the firm, particularly from the standpoint of the common stockholders. The issuance of debt capital, assuming no offsetting decrease in preferred stock, decreases the common equity capitalization ratio, and its existence creates what has come to be known as financial leverage. The risk borne by shareholders that accompanies that leverage is known as financial risk. As the proportion of debt in the capital structure increases, so does the degree of financial leverage and thus shareholders' risk and consequently the shareholders' requirements regarding expected return, i.e., the expected return on common equity or, in regulatory jargon, the cost of common equity capital.

Alternatively, the financial riskiness of the firm, some might argue, is more appropriately revealed when expressed in terms of debt leverage, particularly when preferred stock is present in the capital structure. Such leverage is the ratio of long-term debt capital to total investor-supplied capital. Both approaches are clearly insightful and useful. In evaluating the superiority of one approach in comparison to the other, one should consider the context within which the information is to be used. Since a major objective of this report is to review the reasonableness of the levels of earnings of the companies' common stockholders, and in consideration of the other key financial benchmarks which are also presented herein, the common equity capitalization ratio appears to be the most appropriate and meaningful measure of the financial riskiness of the companies for use in this regard.

### *The Pretax Interest Coverage Ratio*

The pretax interest coverage ratio is the number of times earnings, determined before consideration of income taxes and interest charges, cover annual interest charges. That financial indicator is particularly important to debt investors because holders of the company's outstanding debt, including long-term bonds, receive interest payments from the company before any earnings are determined to be available for distribution to preferred or common equity investors. Pretax interest coverage is measured before income taxes because interest expense is deductible in arriving at taxable income. Therefore, generally speaking, debt

holders can expect to be paid before the company incurs any liability for the payment of income taxes. From the debt holder's perspective, all other things remaining equal, the higher the pretax interest coverage the better.

### *The Overall Rate of Return*

The overall rate of return measures the profitability of a firm from the standpoint of earnings on total investment, including investment funded by both debt and equity investors. Specifically, in the public utility regulatory environment, it is the ratio of operating income to total investment.

### *The Propriety of the Methodology*

The foregoing financial benchmarks, as presented in this report, have been determined on the basis of the companies' actual operating experience. Under rate base, rate of return regulation, North Carolina statutes require that the companies' rates be determined on a normalized, pro forma, end-of-period basis based upon an historical test period. Stated alternatively, the Commission, in setting prospective rates, essentially, must take into account the company's current level of operations adjusted for known and material changes in the levels of revenues and costs that the company can reasonably be expected to experience over a reasonable period of time into the future. Thus, rates, which are established for use prospectively, are set, to a certain extent and within certain constraints, on the basis of revenue and cost expectations, including investor expectations regarding their return requirements, as opposed to simply setting prospective rates solely on the basis of actual operating experience.

The process of setting prospective rates is inherently and exceedingly time consuming, difficult, and otherwise costly to both companies and regulators. It involves the assimilation, investigation, and evaluation of enormous amounts of complex information and data which invariably leads to multifarious issues; many, if not most, of which must be resolved through adjudication.

It is far less difficult and costly to perform an intellectual, financial analysis of the need to undertake the aforesaid process. Such preliminary analysis avoids the unnecessary incursion of the immense costs of setting prospective rates. Those are precisely the reasons why this report is focused on a review of the returns on common equity and other key financial ratios which the companies are currently earning or achieving under their existing rates and charges. Those ratios, when considered in conjunction with statutory ratemaking requirements, prevailing economic conditions, and certain other financial indicators, including returns on common equity and overall rates of return currently being authorized by other public utility regulatory agencies, are meaningful indicators of the need, if any, for further, more extensive regulatory review.

From the standpoint of giving an added measure of meaning to the aforesaid ratios of the individual companies and in the interest of providing a sense of current financial market

conditions, certain financial information has been included herein as notes to the first statement included in Part II of this report. Such notes are an integral part of this report.

Additionally, also from the standpoint of providing perspective, returns on common equity and overall rates of return currently being authorized by a number of other public utility regulatory agencies are provided in the second statement presented in Part II.

### *A Final Note*

It is emphasized that the information contained in this report is not intended and should not be construed to be all inclusive from the standpoint of the criteria to be used in assessing the reasonableness of the companies existing rates. But rather, it is submitted that such information is clearly relevant to such a determination and as such should be considered in conjunction with all other pertinent information and data.

The Operations Division will be pleased to receive and respond to any questions or comments.

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## *Part II*

# *A Review of Key Financial Ratios*

- *Summary Statement of Key Financial Ratios For Five Selected Companies For The Twelve Months Ended March 31, 2013 – Returns on Common Equity, Overall Rates of Return, Common Equity Capitalization Ratios, and Debt Ratios – And Certain Rate Case Data*
  
- *Statement of Authorized Returns on Common Equity and Overall Rates of Return Granted By Various Public Utility Regulatory Agencies As Reported By Public Utilities Reports, Volume Nos. 295-303 from March 2012 Through March 2013*

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

"Estimated Returns on Common Equity, Overall Rates of Return,  
Common Equity Capitalization Ratios, and Debt Ratios are for Twelve Months Ended March 31, 2013

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

<u>Line No.</u>	<u>Item</u> (a)	<u>Estimated for 12 Months Ended 03/31/2013</u>				<u>Authorized - Last Rate Case</u>			
		<u>Return On Equity</u> (b)	<u>Overall Rate of Return</u> (c)	<u>Equity Ratio</u> (d)	<u>Debt Ratio</u> (e)	<u>Return On Equity</u> (f)	<u>Overall Rate of Return</u> (g)	<u>Equity Ratio</u> (h)	<u>Date of Last Order</u> (i)
<i>Electric Companies</i>									
1.	Duke Energy Carolinas, LLC	9.88%	7.67%	53.41%	46.59%	10.50%	8.11%	53.00%	01/27/2012
2.	Duke Energy Progress, Inc. d/b/a Duke Energy Progress	6.10%	5.43%	52.78%	46.68%	10.20%	7.55%	53.00%	05/30/2013
3.	Virginia Electric and Power Company, d/b/a Dominion North Carolina Power	8.76%	7.19%	55.10%	43.37%	10.20%	7.80%	51.00%	12/21/2012
<i>Natural Gas Local Distribution Companies</i>									
4.	Piedmont Natural Gas Company, Inc.	11.85%	7.52%	45.89%	54.11%	10.60%	8.55%	51.00%	10/24/2008
5.	Public Service Company of North Carolina, Inc., d/b/a PSNC Energy	11.20%	8.88%	56.82%	43.18%	10.60%	8.54%	54.00%	10/24/2008

**Summary Statement**  
**Of Key Financial Ratios Achieved by**  
**And Authorized for Selected Companies**

\*Estimated Returns on Common Equity, Overall Rates of Return,  
Common Equity Capitalization Ratios, and Debt Ratios are for Twelve Months Ended March 31, 2013\*

NOTES: [1] Selected financial market indicators from "Moody's Credit Trends" updated on July 8, 2013 follow:

**Part I**

<u>Line No.</u>	<u>Date</u> (a)	<u>U.S. Treasury Securities</u>			<u>Dealer-Placed 3-Month CP</u> %	<u>Moody's Long-Term Corporate Bond Yield</u> %
		<u>3-Month Bill</u> %	<u>10-Year Note</u> %	<u>30-Year Bond</u> %		
		(b)	(c)	(d)	(e)	(f)
1.	July 5, 2013	0.04	2.73	3.68	n/a	4.90
2.	July 4, 2013	n/a	n/a	n/a	n/a	n/a
3.	July 3, 2013	0.05	2.52	3.49	0.11	4.72
4.	July 2, 2013	0.03	2.48	3.47	0.12	4.70
5.	July 1, 2013	0.04	2.50	3.48	0.11	4.74
6.	Month of June 2013	0.05	2.30	3.40	0.32	4.63
7.	Month of May 2013	0.04	1.93	3.11	0.32	4.23

**Part II**

Moody's public utility long-term bond yield averages (%):

<u>Line No.</u>	<u>Rating</u> (a)	<u>7/08/2013</u> (b)	<u>Past 12 Months</u>		<u>Monthly Average</u>	
			<u>High</u> (c)	<u>Low</u> (d)	<u>July 2013</u> (e)	<u>June 2013</u> (f)
1.	Aa	4.53	4.45	3.60	4.45	4.27
2.	A	4.79	4.71	3.84	4.71	4.53
3.	Baa	5.33	5.26	4.42	5.26	5.08

[2] Most recent data available when this edition of the *Quarterly Review* was prepared. According to "Moody's Credit Trends", updated on July 9, 2013, such long-term bond yield averages are derived from pricing data on a regularly-replenished population of nearly 90 seasoned corporate bonds in the United States market, each with current outstandings over \$100 million. Further, the bonds have maturities as close as possible to 30 years; bonds are dropped from the list if their remaining life falls below 20 years or if their ratings change.

**Statement of Authorized Returns**  
**On Common Equity and Overall Rates of Return**  
**Granted By Various Public Utility Regulatory Agencies As Reported In**  
**Public Utilities Reports, Volume Nos. 295-303, from March 2012 through March 2013**  
**(Statement Is All Inclusive With Respect To Returns Published)**

<u>Line No.</u>	<u>Company (Jurisdiction)</u> (a)	<u>Authorized Returns</u>		<u>Date Of Order</u> (d)	<u>Volume No. Public Utilities Reports</u> (e)
		<u>Common Equity</u> (b)	<u>Overall</u> (c)		
<b>Electric Companies</b>					
1.	Duke Energy Carolinas, LLC (NC)	10.50%	8.11%	01/27/2012	Volume 295
2.	Duke Energy Carolinas, LLC (SC)	10.50%	8.10%	02/03/2012	Volume 295
3.	Hawaii Electric Light Company, Inc. (HI)	10.00%	8.31%	02/08/2012	Volume 296
4.	Gulf Power Company (FL)	10.25%	6.39%	04/03/2012	Volume 296
5.	PacifiCorp, d/b/a Pacific Power & Light Company (WA)	N/A	N/A	03/30/2012	Volume 296
6.	Puget Sound Energy, Inc. (WA)	9.80%	7.80%	05/22/2012	Volume 297
7.	Consumers Energy Company (MI)	10.30%	6.70%	06/07/2012	Volume 297
8.	Northern States Power Company, d/b/a Xcel Energy (MN)	10.37%	N/A	05/14/2012	Volume 298
9.	Delmarva Power & Light Company (MD)	9.81%	7.56%	07/20/2012	Volume 298
10.	Black Diamond Power Company (WV)	9.75%	8.78%	08/10/2012	Volume 299
11.	Potomac Electric Power Company (DC)	9.50%	8.03%	09/27/2012	Volume 300
12.	Entergy Texas, Inc. (TX)	9.80%	8.27%	09/14/2012	Volume 300
13.	Rocky Mountain Power (UT)	9.80%	7.86%	09/19/2012	Volume 300
14.	Southern California Edison Company (CA)	10.45%	7.90%	12/20/2012	Volume 302
15.	San Diego Gas & Electric Company (CA)	10.30%	7.79%	12/20/2012	Volume 302
16.	Pacific Gas & Electric Company (CA)	10.40%	8.06%	12/20/2012	Volume 302
17.	Wisconsin Electric Power Company, d/b/a We Energies (WI)	10.40%	7.71%	12/21/2012	Volume 302
18.	Avista Corporation d/b/a Avista Utilities (WA)	9.80%	7.64%	12/26/2012	Volume 303
19.	Narragansett Electric Company, d/b/a National Grid (RI)	9.50%	[1] N/A	02/01/2013	Volume 303
20.	Indiana Michigan Power Company (IN)	10.20%	6.97%	02/13/2013	Volume 303
21.	Baltimore Gas and Electric Company (MD)	9.75%	7.60%	02/22/2013	Volume 303
<b>Natural Gas Local Distribution Companies</b>					
22.	Bluefield Gas Company (WV)	9.75%	N/A	01/17/2012	Volume 295
23.	Puget Sound Energy, Inc. (WA)	9.80%	7.80%	05/22/2012	Volume 297
24.	SourceGas Distribution LLC (NE)	9.60%	N/A	05/22/2012	Volume 297



**Statement of Authorized Returns**  
**On Common Equity and Overall Rates of Return**  
**Granted By Various Public Utility Regulatory Agencies As Reported In**  
**Public Utilities Reports, Volume Nos. 295-303, from March 2012 through March 2013**  
**(Statement Is All Inclusive With Respect To Returns Published)**

<u>Line No.</u>	<u>Company (Jurisdiction)</u> (a)	<u>Authorized Returns</u>		<u>Date Of Order</u> (d)	<u>Volume No. Public Utilities Reports</u> (e)
		<u>Common Equity</u> (b)	<u>Overall</u> (c)		
<b>Natural Gas Local Distribution Companies (continued)</b>					
25.	Atmos Energy (KS)	N/A	N/A	08/22/2012	Volume 299
26.	Vermont Gas Systems, Inc. (VT)	9.75%	N/A	08/21/2012	Volume 300
27.	San Diego Gas & Electric Company (CA)	10.30%	7.79%	12/20/2012	Volume 302
28.	Southern California Gas Company (CA)	10.10%	8.02%	12/20/2012	Volume 302
29.	Pacific Gas & Electric Company (CA)	10.40%	8.06%	12/20/2012	Volume 302
30.	Wisconsin Natural Gas, LLC, d/b/a We Energies (WI)	10.50%	6.90%	12/21/2012	Volume 302
31.	Bluefield Gas Company (WV)	9.90%	6.62%	01/30/2013	Volume 303
32.	Avista Corporation d/b/a Avista Utilities (WA)	9.80%	7.64%	12/26/2012	Volume 303
33.	Narragansett Electric Company, d/b/a National Grid (RI)	9.50%	[1] N/A	02/01/2013	Volume 303
34.	Baltimore Gas and Electric Company (MD)	9.60%	7.53%	02/22/2013	Volume 303
<b>Water Companies</b>					
35.	Iowa-American Water Company (IA)	10.30%	N/A	02/23/2012	Volume 295
36.	Tennessee American Water Company (TN)	10.00%	7.83%	04/27/2012	Volume 298
37.	California Water Service Company (CA)	9.99%	[2] 8.24%	07/12/2012	Volume 298
38.	San Jose Water Company (CA)	9.99%	[2] 8.38%	07/12/2012	Volume 298
39.	California-American Water Company (CA)	9.99%	[2] 8.41%	07/12/2012	Volume 298
40.	Golden State Water Company (CA)	9.99%	[2] 8.64%	07/12/2012	Volume 298
41.	Lakes Region Water Company (NH)	9.75%	8.43%	07/13/2012	Volume 299
42.	Illinois-American Water Company (IL)	9.34%	7.56%	09/19/2012	Volume 301

**Notes:**

- [1] The Rhode Island Public Utilities Commission approved a settlement which includes an earnings sharing mechanism whereby accumulated earnings over the authorized 9.50% ROE, up to and including 100 basis points above the authorized ROE, would be shared 50/50 with customers. Earnings over 100 basis points above the authorized ROE would be shared 75% to ratepayers and 25% to the utility.
- [2] The California Public Utilities Commission approved a settlement agreement that established, for the period 2011 through 2014, the costs of debt and equity, capital structures, and rates of return for the four Class A water utilities doing business in California. An identical cost of common equity of 9.99% was established for each of the four utilities, but the settlement agreement provided for a different cost of debt and capital structure for each of the utilities, yielding a different overall rate of return for each of the utilities.
- [3] N/A denotes that information is not available.

## ***Part III***

### ***Overviews of Selected Financial and Operational Data by Utility:***

- ***Electric Companies***
  - ***Duke Energy Carolinas, LLC***
  - ***Duke Energy Progress, Inc.,  
d/b/a Duke Energy Progress***
  - ***Virginia Electric and Power Company,  
d/b/a Dominion North Carolina Power***
  
- ***Natural Gas Local Distribution Companies***
  - ***Piedmont Natural Gas Company, Inc.***
  - ***Public Service Company of North Carolina, Inc.,  
d/b/a PSNC Energy***

**DUKE ENERGY CAROLINAS, LLC**  
**SELECTED FINANCIAL AND OPERATIONAL DATA**  
North Carolina Retail Jurisdiction  
(Amounts In Thousands)

Line No.	Item (a)	12 Months Ended					Annual Growth Rate	
		March 2013 (b)	March 2012 (c)	March 2011 (d)	March 2010 (e)	March 2009 (f)	Four Year (g)	Current Year (h)
1.	Operating Revenue	\$4,855,339	\$4,446,691	\$4,448,397	\$3,984,043	\$4,088,819	4.39%	9.19%
2.	Operating Expenses:							
3.	Fuel	1,119,960	1,053,809	1,161,104	1,016,889	1,108,323	0.26%	6.28%
4.	Purchased Power	230,544	208,224	187,640	135,404	182,556	6.01%	10.72%
5.	Maintenance	453,302	427,885	406,093	399,204	397,636	3.33%	5.94%
6.	Other Operating Expenses	<u>961,030</u>	<u>823,982</u>	<u>900,827</u>	<u>766,411</u>	<u>745,332</u>	<u>6.56%</u>	<u>16.63%</u>
7.	Total Operating Expenses	2,764,836	2,513,900	2,655,664	2,317,908	2,433,847	3.24%	9.98%
8.	Depreciation & Amortization	<u>640,729</u>	<u>569,516</u>	<u>514,798</u>	<u>474,324</u>	<u>501,416</u>	<u>6.32%</u>	<u>12.50%</u>
9.	Total Expenses & Depreciation	3,405,565	3,083,416	3,170,462	2,792,232	2,935,263	3.79%	10.45%
10.	Total Operating Taxes	<u>633,852</u>	<u>607,819</u>	<u>569,306</u>	<u>534,673</u>	<u>503,206</u>	<u>5.94%</u>	<u>4.28%</u>
11.	Total Expenses, Depr. & Taxes	<u>4,039,417</u>	<u>3,691,235</u>	<u>3,739,768</u>	<u>3,326,905</u>	<u>3,438,469</u>	<u>4.11%</u>	<u>9.43%</u>
12.	Operating Income	<u>\$815,922</u>	<u>\$755,456</u>	<u>\$708,629</u>	<u>\$657,138</u>	<u>\$650,350</u>	<u>5.83%</u>	<u>8.00%</u>
13.	Net Plant Investment	<u>\$14,417,267</u>	<u>\$12,321,908</u>	<u>\$11,455,711</u>	<u>\$11,291,113</u>	<u>\$9,667,557</u>	<u>10.51%</u>	<u>17.01%</u>
14.	Oper. Exp. as a % of Total Revenue	56.94%	56.53%	59.70%	58.18%	59.52%	-1.10%	0.73%
15.	Net Plt. Investment per \$ of Revenue	\$2.97	\$2.77	\$2.58	\$2.83	\$2.36	5.92%	7.22%
16.	Number of Customers Served (000s included):							
17.	Residential	1,605,171	1,594,367	1,585,159	1,580,950	1,571,004	0.54%	0.68%
18.	Commercial	252,741	251,638	249,840	248,925	247,268	0.55%	0.44%
19.	Industrial	4,955	5,107	5,299	5,473	5,552	-2.80%	-2.98%
20.	Other	<u>10,953</u>	<u>10,963</u>	<u>10,843</u>	<u>10,846</u>	<u>10,584</u>	<u>0.86%</u>	<u>-0.09%</u>
21.	Total Number of Customers	<u>1,873,820</u>	<u>1,862,075</u>	<u>1,851,141</u>	<u>1,846,194</u>	<u>1,834,408</u>	<u>0.53%</u>	<u>0.63%</u>
22.	Annual Sales Volume: (Millions kWh)							
23.	Residential	20,640	20,741	22,363	21,567	21,111	-0.56%	-0.49%
24.	Commercial	21,997	21,813	22,058	21,391	21,543	0.52%	0.84%
25.	Industrial	12,322	12,214	12,261	11,558	12,824	-0.99%	0.88%
26.	Other	<u>1,651</u>	<u>551</u>	<u>870</u>	<u>967</u>	<u>2,220</u>	<u>-7.14%</u>	<u>199.64%</u>
27.	Total Sales	<u>56,610</u>	<u>55,319</u>	<u>57,552</u>	<u>55,483</u>	<u>57,698</u>	<u>-0.47%</u>	<u>2.33%</u>
28.	Estimated Overall Rate of Return	7.67%	7.71%	7.78%	7.49%	7.78%	-0.36%	-0.52%
29.	Estimated Return on Common Equity	9.88%	9.74%	9.75%	9.26%	9.79%	0.23%	1.44%
30.	Common Equity Ratio	53.41%	53.30%	53.29%	52.65%	51.66%	0.84%	0.21%
31.	Debt Ratio	46.59%	46.70%	46.71%	47.35%	48.34%	-0.92%	-0.24%
32.	Estimated Pretax Interest Coverage Ratio (Times)	4.55	4.43	4.30	4.08	3.99	3.34%	2.71%
33.	<b>LAST RATE CASE</b>	Authorized Returns: Common Equity 10.50%, Overall 8.11%; Equity Ratio: 53.00%; Date of Order: 1-27-12						
	(Docket No. E-7, Sub 989)							

Notes: [1] North Carolina retail jurisdictional revenue equates to 70% of total company electric utility revenue.  
[2] Net Plant Investment reflects net plant in service.  
[3] Source of Data: NCUC ES-1 Reports.  
[4] The increase from March 2012 to March 2013 in "Other" annual sales volume (millions kWh) can be attributed to energy sales by DEC to Duke Energy Progress, Inc., d/b/a Duke Energy Progress (DEP) pursuant to the Joint Dispatch Agreement between DEC and DEP filed in Docket Nos. E-2, Sub 998 and E-7, Sub 986.

**DUKE ENERGY PROGRESS, INC., d/b/a  
DUKE ENERGY PROGRESS  
SELECTED FINANCIAL AND OPERATIONAL DATA  
North Carolina Retail Jurisdiction  
(Amounts In Thousands)**

Line No.	Item (a)	12 Months Ended					Annual Growth Rate	
		March 2013 (b)	March 2012 (c)	March 2011 (d)	March 2010 (e)	March 2009 (f)	Four Year (g)	Current Year (h)
1.	Operating Revenue	\$3,449,208	\$3,297,200	\$3,514,953	\$3,452,062	\$3,244,804	1.54%	4.61%
2.	Operating Expenses:							
3.	Fuel	1,031,675	916,683	1,086,447	1,198,078	937,997	2.41%	12.54%
4.	Purchased Power	277,601	210,272	212,996	147,345	238,646	3.85%	32.02%
5.	Maintenance	310,713	304,137	268,179	236,278	223,953	8.53%	2.16%
6.	Other Operating Expenses	773,436	667,783	627,626	610,461	563,535	8.24%	15.82%
7.	Total Operating Expenses	2,393,425	2,098,875	2,195,248	2,192,162	1,964,131	5.07%	14.03%
8.	Depreciation & Amortization	370,497	351,061	326,925	336,942	378,540	-0.54%	5.54%
9.	Total Expenses & Depreciation	2,763,922	2,449,936	2,522,173	2,529,104	2,342,671	4.22%	12.82%
10.	Total Operating Taxes	346,345	354,374	439,044	437,622	411,201	-4.20%	-2.27%
11.	Total Expenses, Depr. & Taxes	3,110,267	2,804,310	2,961,217	2,966,726	2,753,872	3.09%	10.91%
12.	Operating Income	\$338,941	\$492,890	\$553,736	\$485,336	\$490,932	-8.85%	-31.23%
13.	Net Plant Investment	\$6,089,827	\$6,032,001	\$5,414,468	\$5,236,782	\$5,067,603	4.70%	0.96%
14.	Oper. Exp. as a % of Total Revenue	69.39%	63.66%	62.45%	63.50%	60.53%	3.47%	9.00%
15.	Net Plt. Investment per \$ of Revenue	\$1.77	\$1.83	\$1.54	\$1.52	\$1.56	3.21%	-3.28%
16.	Number of Customers Served (000s included):							
17.	Residential	1,104,232	1,112,761	1,106,556	1,099,978	1,089,501	0.34%	-0.77%
18.	Commercial	189,791	193,561	192,149	191,219	189,403	0.05%	-1.95%
19.	Industrial	3,703	3,922	3,960	3,982	4,059	-2.27%	-5.58%
20.	Other	1,510	1,558	1,705	1,787	1,845	-4.89%	-3.08%
21.	Total Number of Customers	1,299,236	1,311,802	1,304,370	1,296,966	1,284,808	0.28%	-0.96%
22.	Annual Sales Volume: (Millions kWh)							
23.	Residential	15,074	15,001	16,297	15,578	15,252	-0.29%	0.49%
24.	Commercial	11,932	11,968	12,276	11,978	12,195	-0.54%	-0.30%
25.	Industrial	8,313	8,373	8,404	8,160	8,607	-0.87%	-0.72%
26.	Other	4,093	1,684	1,681	2,205	1,652	25.46%	143.05%
27.	Total Sales	39,412	37,026	38,658	37,921	37,706	1.11%	6.44%
28.	Estimated Overall Rate of Return	5.43%	8.25%	10.15%	8.88%	9.09%	-12.09%	-34.18%
29.	Estimated Return on Common Equity	6.10%	10.58%	13.63%	11.74%	11.77%	-15.15%	-42.34%
30.	Common Equity Ratio	52.78%	57.51%	58.65%	56.28%	54.82%	-0.94%	-8.22%
31.	Debt Ratio	46.68%	41.86%	40.70%	43.03%	44.45%	1.23%	11.51%
32.	Estimated Pretax Interest Coverage Ratio (Times)	3.63	5.23	6.96	6.03	5.19	-8.55%	-30.59%
33.	<b>LAST RATE CASE</b> (Docket No. E-2, Sub 1023)	Authorized Returns: Common Equity 10.20%, Overall 7.55%; Equity Ratio: 53.00%; Date of Order: 5-30-13						

- Notes:
- [1] North Carolina retail jurisdictional revenue equates to 72% of total company electric utility revenue.
  - [2] Net Plant Investment reflects net plant in service.
  - [3] Source of Data: NCUC ES-1 Reports.
  - [4] The decrease from March 2012 to March 2013 in the number of customers was primarily due to a change in reporting by DEP. Beginning with the December 2012 NCUC ES-1 Report, DEP now reports the number of active customers rather than the total number of customers which includes both active and inactive customers.
  - [5] The increase from March 2012 to March 2013 in "Other" annual sales volume (millions kWh) can be attributed to energy sales by DEP to Duke Energy Carolinas, LLC (DEC) pursuant to the Joint Dispatch Agreement between DEC and DEP filed in Docket Nos. E-2, Sub 998 and E-7, Sub 986.
  - [6] Effective April 29, 2013, Progress Energy Carolinas, Inc. changed its legal name to Duke Energy Progress, Inc., d/b/a Duke Energy Progress.

**VIRGINIA ELECTRIC AND POWER COMPANY, d/b/a  
DOMINION NORTH-CAROLINA POWER  
SELECTED FINANCIAL AND OPERATIONAL DATA  
North Carolina Retail Jurisdiction  
(Amounts in Thousands)**

Line No.	Item (a)	12 Months Ended					Annual Growth Rate	
		March 2013 (b)	March 2012 (c)	March 2011 (d)	March 2010 (e)	March 2009 (f)	Four Year (g)	Current Year (h)
1.	Operating Revenue	\$358,551	\$317,122	\$336,998	\$335,066	\$315,163	3.28%	13.06%
2.	Operating Expenses:							
3.	Fuel	85,405	51,707	78,075	105,452	52,781	12.79%	65.17%
4.	Purchased Power	57,167	75,540	83,415	58,762	101,328	-13.33%	-24.32%
5.	Maintenance	0	0	0	0	0	N/A	N/A
6.	Other Operating Expenses	73,958	76,747	72,270	81,295	70,322	1.27%	-3.63%
7.	Total Operating Expenses	216,530	203,984	233,760	245,509	224,431	-0.89%	6.15%
8.	Depreciation & Amortization	44,705	48,319	37,129	34,175	33,419	7.55%	-7.48%
9.	Total Expenses & Depreciation	261,235	252,313	270,889	279,684	257,850	0.33%	3.54%
10.	Total Operating Taxes	42,562	34,813	32,465	22,934	29,550	9.55%	22.26%
11.	Total Expenses, Depr. & Taxes	303,797	287,126	303,354	302,618	287,400	1.40%	5.81%
12.	Operating Income	54,754	29,996	33,644	32,448	27,763	18.51%	82.54%
13.	Net Plant Investment	926,650	800,004	723,972	637,044	614,559	10.81%	15.83%
14.	Oper. Exp. as a % of Total Revenue	60.39%	64.33%	69.37%	73.27%	71.21%	-4.04%	-6.12%
15.	Net Plt. Investment per \$ of Revenue	\$2.58	\$2.52	\$2.15	\$1.90	\$1.95	7.25%	2.38%
16.	Number of Customers Served (000s included):							
17.	Residential	101,177	100,949	101,135	100,933	100,859	0.08%	0.23%
18.	Commercial	15,536	15,461	15,436	15,432	15,466	0.11%	0.49%
19.	Industrial	49	50	54	58	59	-4.54%	-2.00%
20.	Other	2,240	2,242	2,255	2,252	2,272	-0.35%	-0.09%
21.	Total Number of Customers	119,002	118,702	118,880	118,675	118,656	0.07%	0.25%
22.	Annual Sales Volume: (Millions kWh)							
23.	Residential	1,570	1,521	1,697	1,630	1,605	-0.55%	3.22%
24.	Commercial	885	797	823	810	812	2.18%	11.04%
25.	Industrial	1,623	1,705	1,547	1,548	1,608	0.23%	-4.81%
26.	Other	137	135	148	144	148	-1.91%	1.48%
27.	Total Sales	4,215	4,158	4,215	4,132	4,173	0.25%	1.37%
28.	Estimated Overall Rate of Return	7.19%	4.09%	5.85%	6.32%	5.77%	5.65%	75.79%
29.	Estimated Return on Common Equity	8.76%	3.02%	6.09%	6.90%	6.05%	-9.70%	190.07%
30.	Common Equity Ratio	55.10%	55.00%	54.10%	51.38%	50.12%	2.40%	0.18%
31.	Debt Ratio	43.37%	43.42%	44.21%	46.76%	47.36%	-2.18%	-0.12%
32.	Estimated Pretax Interest Coverage Ratio (Times)	4.38	2.56	3.20	2.55	3.12	8.85%	71.09%
33.	<b>LAST RATE CASE</b> (Docket No. E-22, Sub 479)	Authorized Returns: Common Equity - 10.20%, Overall - 7.80%; Equity Ratio: 51%; Date of Order: 12-21-12						

Notes: [1] North Carolina retail jurisdictional revenue equates to 5% of total company electric utility revenue.  
[2] Net Plant Investment reflects net plant in service.  
[3] Source of Data: NCUC ES-1 Reports.  
[4] N/A denotes that the data is not available or not applicable or that information is, essentially, unmeaningful.

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

Line No.	Item (a)	12 Months Ended					Annual Growth Rate	
		March 2013	March 2012	March 2011	March 2010	March 2009	Four Year	Current Year
		(b)	(c)	(d)	(e)	(f)	(g)	(h)
1.	Operating Revenue:							
2.	Residential	\$389,794	\$385,250	\$454,884	\$542,010	\$577,732	-8.79%	3.78%
3.	Commercial	221,816	222,718	269,233	323,864	352,030	-10.93%	-0.49%
4.	Industrial	17,305	20,182	27,452	43,097	86,325	-33.09%	-14.26%
5.	Public Authorities	217	471	689	863	265	-4.87%	-53.93%
6.	Other	113,694	86,651	82,995	78,228	84,953	7.56%	31.21%
7.	Total Operating Revenue	<u>752,626</u>	<u>715,272</u>	<u>835,253</u>	<u>988,062</u>	<u>1,101,305</u>	<u>-9.08%</u>	<u>5.22%</u>
8.	Cost of Gas	<u>339,120</u>	<u>320,863</u>	<u>450,900</u>	<u>601,819</u>	<u>722,367</u>	<u>-17.23%</u>	<u>5.69%</u>
9.	Margin	413,506	394,409	384,353	386,243	378,938	2.21%	4.84%
10.	O & M Expenses	172,667	165,890	158,081	154,639	146,941	4.12%	4.09%
11.	Other Deductions	139,680	130,517	125,112	130,019	124,436	2.93%	7.02%
12.	Operating Income	<u>\$101,159</u>	<u>\$98,002</u>	<u>\$101,160</u>	<u>\$101,585</u>	<u>\$107,561</u>	<u>-1.52%</u>	<u>3.22%</u>
13.	Net Plant Investment	<u>\$2,041,684</u>	<u>\$1,760,356</u>	<u>\$1,696,621</u>	<u>\$1,564,919</u>	<u>\$1,571,515</u>	<u>6.76%</u>	<u>15.98%</u>
14.	Operating Exp. as a % of Margin	41.76%	42.06%	41.13%	40.04%	38.78%	1.87%	-0.71%
15.	Net Plt. Investment per \$ of Margin	\$4.94	\$4.46	\$4.41	\$4.05	\$4.15	4.45%	10.76%
16.	Gas Delivered in DTs (000s omitted):							
17.	Residential	36,874	29,613	37,821	40,036	37,962	-0.72%	24.52%
18.	Commercial	28,108	23,431	28,064	28,821	27,037	0.98%	19.96%
19.	Industrial	2,619	2,846	3,543	5,151	7,396	-22.86%	-7.98%
20.	Public Authorities	24	50	68	70	18	7.46%	-52.00%
21.	Other	241,545	175,077	138,112	103,801	93,568	26.76%	37.97%
22.	Total DTs	<u>309,170</u>	<u>231,017</u>	<u>207,608</u>	<u>177,879</u>	<u>165,981</u>	<u>16.82%</u>	<u>33.83%</u>
23.	Number of Customers (000s included):							
24.	Residential	624,220	616,722	612,593	608,761	604,089	0.82%	1.22%
25.	Commercial	66,191	65,638	65,246	65,320	65,165	0.39%	0.84%
26.	Industrial	1,087	1,101	1,101	1,126	1,162	-1.65%	-1.27%
27.	Public Authorities	572	1,576	1,577	1,609	473	4.87%	-63.71%
28.	Other	605	577	575	561	536	3.07%	4.85%
29.	Total Number of Customers	<u>692,675</u>	<u>685,614</u>	<u>681,092</u>	<u>677,377</u>	<u>671,425</u>	<u>0.78%</u>	<u>1.03%</u>
30.	Estimated Overall Rate of Return	7.52%	7.69%	8.27%	8.46%	8.52%	-3.07%	-2.21%
31.	Estimated Return on Common Equity	11.85%	10.55%	10.65%	11.84%	11.95%	-0.21%	12.32%
32.	Common Equity Ratio	45.89%	50.92%	51.97%	47.90%	45.98%	-0.05%	-9.88%
33.	Debt Ratio	54.11%	49.08%	48.03%	52.10%	54.02%	0.04%	10.25%
34.	Estimated Pretax Interest Coverage Ratio (Times)	5.33	4.82	4.35	4.40	4.01	7.37%	10.58%
35.	<b>LAST RATE CASE</b>	Authorized Returns: Common Equity 10.60%, Overall 8.55%; Equity Ratio: 51.00%; Date of Order: 10-24-08						
	(Docket No. G-9, Sub 550)							

Notes:

- [1] North Carolina retail jurisdictional revenue equates to approximately 71% of total company gas utility revenue.
- [2] Net Plant Investment reflects net plant in service.
- [3] Source of Data: Shareholders' reports and the NCUC GS-1 Reports.
- [4] The decrease from March 2012 to March 2013 in the public authorities data was primarily due to the classification of the Goldsboro Housing Authority customers, who were individually metered during the period September-December 2012, to the residential category. All public authorities customers, whether individually metered or master metered, are billed on Piedmont's residential rate structure.

**PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.**  
**SELECTED FINANCIAL AND OPERATIONAL DATA**  
North Carolina Jurisdiction  
(Amounts In Thousands)

Line No.	Item (a)	12 Months Ended					Annual Growth Rate	
		March 2013 (b)	March 2012 (c)	March 2011 (d)	March 2010 (e)	March 2009 (f)	Four Year (g)	Current Year (h)
1.	Operating Revenue:							
2.	Residential	\$324,543	\$253,520	\$328,346	\$335,847	\$410,616	-5.71%	28.01%
3.	Commercial	117,214	100,578	128,978	130,190	176,863	-9.77%	16.54%
4.	Industrial	15,862	15,173	21,364	20,791	40,480	-20.88%	4.54%
5.	Public Authorities	0	0	0	0	0	N/A	N/A
6.	Resale	0	1	5	4	7	N/A	N/A
7.	Other	<u>29,588</u>	<u>26,959</u>	<u>27,092</u>	<u>26,099</u>	<u>28,028</u>	<u>1.36%</u>	<u>9.75%</u>
8.	Total Operating Revenue	<u>487,207</u>	<u>396,231</u>	<u>505,785</u>	<u>512,931</u>	<u>655,994</u>	<u>-7.17%</u>	<u>22.96%</u>
9.	Cost of Gas	<u>254,154</u>	<u>168,268</u>	<u>281,379</u>	<u>291,736</u>	<u>440,753</u>	<u>-12.86%</u>	<u>51.04%</u>
10.	Margin	233,053	227,963	224,406	221,195	215,241	2.01%	2.23%
11.	O & M Expenses	87,091	84,632	85,011	84,547	84,422	0.78%	2.91%
12.	Other Deductions	<u>80,160</u>	<u>78,132</u>	<u>74,249</u>	<u>74,459</u>	<u>69,371</u>	<u>3.68%</u>	<u>2.60%</u>
13.	Operating Income	<u>\$65,802</u>	<u>\$65,199</u>	<u>\$65,146</u>	<u>\$62,189</u>	<u>\$61,448</u>	<u>1.73%</u>	<u>0.92%</u>
14.	Net Plant Investment	<u>\$846,391</u>	<u>\$825,613</u>	<u>\$784,704</u>	<u>\$772,427</u>	<u>\$771,109</u>	<u>2.36%</u>	<u>2.52%</u>
15.	Operating Exp. as a % of Margin	37.37%	37.13%	37.88%	38.22%	39.22%	-1.20%	0.65%
16.	Net Plt. Investment per \$ of Margin	\$3.63	\$3.62	\$3.50	\$3.49	\$3.58	0.35%	0.28%
17.	Gas Delivered in DTs (000s omitted):							
18.	Residential	27,517	21,525	27,865	28,937	27,098	0.38%	27.84%
19.	Commercial	14,024	11,563	14,014	14,227	13,622	0.73%	21.28%
20.	Industrial	3,120	2,414	3,104	3,017	3,658	-3.90%	29.25%
21.	Public Authorities	0	0	0	0	0	N/A	N/A
22.	Resale	0	0	1	0	0	N/A	N/A
23.	Other	<u>34,994</u>	<u>30,313</u>	<u>29,555</u>	<u>28,170</u>	<u>28,902</u>	<u>4.90%</u>	<u>15.44%</u>
24.	Total DTs	<u>79,655</u>	<u>65,815</u>	<u>74,539</u>	<u>74,351</u>	<u>73,280</u>	<u>2.11%</u>	<u>21.03%</u>
25.	Number of Customers (000s included):							
26.	Residential	457,698	447,145	440,685	434,342	428,549	1.66%	2.36%
27.	Commercial	42,001	41,667	40,659	40,123	39,904	1.29%	0.80%
28.	Industrial	174	176	170	177	189	-2.05%	-1.14%
29.	Public Authorities	0	0	0	0	0	N/A	N/A
30.	Resale	0	0	2	2	2	N/A	N/A
31.	Other	<u>475</u>	<u>464</u>	<u>461</u>	<u>463</u>	<u>458</u>	<u>0.92%</u>	<u>2.37%</u>
32.	Total Number of Customers	<u>500,348</u>	<u>489,452</u>	<u>481,977</u>	<u>475,107</u>	<u>469,102</u>	<u>1.63%</u>	<u>2.23%</u>
33.	Estimated Overall Rate of Return	8.88%	8.99%	9.29%	8.74%	8.16%	2.14%	-1.22%
34.	Estimated Return on Common Equity	11.20%	11.49%	11.49%	12.04%	11.06%	0.31%	-2.52%
35.	Common Equity Ratio	56.82%	55.86%	54.97%	53.20%	49.33%	3.60%	1.72%
36.	Debt Ratio	43.18%	44.14%	45.03%	46.80%	50.67%	-3.92%	-2.17%
37.	Estimated Pretax Interest Coverage Ratio (Times)	5.17	5.07	4.41	5.42	4.21	5.27%	1.97%
38.	<b>LAST RATE CASE</b>	Authorized Returns: Common Equity 10.60%, Overall 8.54%; Equity Ratio: 54.00%; Date of Order: 10-24-08 (Docket No. G-5, Sub 495)						

Notes: [1] Rates are set on a total company basis.  
[2] Net Plant Investment reflects net plant in service.  
[3] Source of Data: Shareholders' Reports and the NCUC GS-1 Reports.  
[4] N/A denotes that the data is not available or not applicable or that information is, essentially, unmeaningful.

*Part IV*

*Telecommunications Companies  
Annual Report Filings*



## Telecommunications Companies 2012 Annual Report Filings<sup>1</sup>

### A. The following companies provided the Commission with links to their 2012 Annual Report filings, as submitted to the SEC:

- *BellSouth Telecommunications, Inc., d/b/a AT&T North Carolina* –  
[http://www.sec.gov/Archives/edgar/data/732717/000073271713000017/ye12\\_10k.htm](http://www.sec.gov/Archives/edgar/data/732717/000073271713000017/ye12_10k.htm)
- *Carolina Telephone and Telegraph Company LLC, d/b/a CenturyLink; Central Telephone Company, d/b/a CenturyLink; and Mebtel, Inc., d/b/a CenturyLink* –  
<http://www.sec.gov/Archives/edgar/data/18926/000104746913002037/a2213129z10-k.htm>
- *Frontier Communications of the Carolinas, Inc.* –  
<http://investor.frontier.com/sec.cfm?DocType=Annual&Year=&FormatFilter=>
- *Verizon South Inc.*<sup>2</sup> –  
<http://www22.verizon.com/investor/annualreports.htm>
- *Windstream Concord Telephone, Inc.; Windstream Lexcom Communications, Inc.; and Windstream North Carolina, LLC* –  
<http://www.sec.gov/Archives/edgar/data/1282266/000128226613000020/a201210k.htm>

### B. The following companies provided the Commission with copies of their 2012 audited financial statements:

- *North State Telephone Company, d/b/a North State Communications*
- *Citizens Telephone Company, d/b/a Comporium*<sup>3</sup>

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<sup>1</sup> The deadline for a price plan regulated company to either provide its annual report to the Commission or to otherwise satisfy its annual reporting obligations under Commission Rule R1-32, Subsection (e1) is as soon as possible after the close of the calendar year, but in no event later than the 30<sup>th</sup> day of April each year for the preceding calendar year.

<sup>2</sup> Verizon South Inc. Knotts Island Exchange.

<sup>3</sup> Such report has been filed as confidential and proprietary information.

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