



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

July 5, 2022

Ms. A. Shonta Dunston, Chief Clerk  
North Carolina Utilities Commission  
Mail Service Center 4325  
Raleigh, North Carolina 27699-4300

Re: Docket No. G-39, Sub 46 and G-39, Sub 47 – Cardinal Pipeline Company, LLC Depreciation Rate Study as of December 31, 2020, and Application of Cardinal Pipeline Company, LLC for an Adjustment in its Rates and Charges

Dear Ms. Dunston:

In connection with the above-captioned dockets, I transmit herewith for filing on behalf of the Public Staff the Settlement Testimony and Exhibit of Sonja R. Johnson.

By copy of this letter, we are forwarding copies to all parties of record.

Sincerely,

/s/ Gina C. Holt  
Staff Attorney  
[gina.holt@psncuc.nc.gov](mailto:gina.holt@psncuc.nc.gov)

Attachments

cc: Parties of Record

Executive Director (919) 733-2435	Communications (919) 733-2810	Economic Research (919) 733-2902	Legal (919) 733-6110	Transportation (919) 733-7766
Accounting (919) 733-4279	Consumer Services (919) 733-9277	Electric (919) 733-2267	Natural Gas (919) 733-4326	Water (919) 733-5610

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Jul 05 2022

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-39, SUB 46  
DOCKET NO. G-39, SUB 47

DOCKET NO. G-39, SUB 46 )  
)  
In the Matter of )  
Cardinal Pipeline Company, LLC )  
Depreciation Rate Study as of ) SETTLEMENT  
December 31, 2020 ) TESTIMONY OF  
) SONJA R. JOHNSON  
DOCKET NO. G-39, SUB 47 ) PUBLIC STAFF – NORTH  
) CAROLINA UTILITIES  
In the Matter of ) COMMISSION  
Application of Cardinal Pipeline )  
Company, LLC, for an Adjustment in its )  
Rates and Charges )  
)

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

**DOCKET NO. G-39, SUB 46  
DOCKET NO. G-39, SUB 47**

**SETTLEMENT TESTIMONY OF SONJA R. JOHNSON SUPPORTING  
STIPULATION**

**ON BEHALF OF THE PUBLIC STAFF –  
NORTH CAROLINA UTILITIES COMMISSION**

**July 5, 2022**

1 **Q. MS. JOHNSON, WHAT IS THE PURPOSE OF YOUR TESTIMONY**  
2 **IN SUPPORT OF THE STIPULATION IN THIS PROCEEDING?**

3 A. The purpose of my Settlement Testimony is to support the  
4 Settlement Agreement and Stipulation (Stipulation) filed on July 5,  
5 2022, between Cardinal Pipeline Company, LLC (Cardinal or the  
6 Company), Piedmont Natural Gas Company, Inc., and the Public  
7 Staff (collectively, the Stipulating Parties) regarding issues related to  
8 the Company's application for a general rate increase.

9 **Q. PLEASE BRIEFLY DESCRIBE THE CHANGES ADDRESSED IN**  
10 **THE STIPULATION.**

11 A. The Stipulation sets forth agreement between the Stipulating Parties  
12 regarding the following revenue requirement and other rate case  
13 issues:

- 14 (1) Return on Equity, Capital Structure, and Debt Cost.
- 15 (2) Adjustment to Regulatory Fee Under Present and Proposed
- 16 Rates.

- 1 (3) Plant in Service and Accumulated Depreciation Updates.
- 2 (4) Adjustment to Amortize EDIT (Reverse South Georgia
- 3 Adjustment).
- 4 (5) Agreement regarding Termination of EDIT Amortization
- 5 related to Docket No. G-39, Sub 38.
- 6 (6) Adjustment for Updated Working Capital.
- 7 (7) Adjustment for Updated ADIT.
- 8 (8) Adjustment to Depreciation Rates.
- 9 (9) Deferral of Pipeline Integrity Expenses.
- 10 (10) Deferral of Anticipated Future Cybersecurity Expenses.
- 11 (11) Allocation Methodology and Factors.
- 12 (12) Next General Rate Case Filing.

13 The details of the agreements between the Stipulating Parties in  
14 these and other areas are set forth in the Stipulation and Stipulation  
15 exhibits. Settlement Exhibit A and supporting schedules, which are  
16 attached hereto, show the revenue requirement adjustments agreed  
17 to by the Stipulating Parties and a reconciliation of the settlement  
18 adjustments to Cardinal's filed rate increase.

19 **Q. WHAT BENEFITS DOES THE STIPULATION PROVIDE FOR**  
20 **RATEPAYERS?**

21 A. From the perspective of the Public Staff, the most important benefits  
22 provided by the Stipulation are as follows:

- 23 (a) A reduction in the Company's proposed revenue increase in  
24 this proceeding.

1 (b) The avoidance of protracted litigation between the Stipulating  
2 Parties before the Commission and possibly the appellate  
3 courts.

4 Based on these ratepayer benefits, as well as the other provisions of  
5 the Stipulation, the Public Staff believes the Stipulation is in the  
6 public interest and should be approved.

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 **A. Yes.**



**CARDINAL PIPELINE COMPANY, LLC**  
Docket No. G-39, Sub 47  
**RECONCILIATION OF GROSS REVENUE INCREASE REQUESTED BY  
THE COMPANY TO THE SETTLEMENT AGREEMENT AMOUNT**  
For The Test Year Ended December 31, 2021

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	<b>Increase in revenue requirement filed by the Company</b>	<b>\$919,530</b>
2	Additonal revenue requirement decrease per rounding and NCUC method	<u>0</u>
3	<b>Adjusted revenue requirement filed by the Company</b>	<b><u>\$919,530</u></b>
<b>Gross revenue impact of Settlement adjustments:</b>		
4	Change in return on equity from 11.04% to 9.55%	(574,567)
5	Change in equity ratio from 59.23% to 51.96%	(417,449)
6	Change in debt cost from 5.25% to 4.96%	(79,637)
7	Adjustment to regulatory fee under present rates	(1,198)
8	Plant in service updates and related items @ March 31, 2022	(52,618)
9	Adjustment to amortize EDIT (reverse south georgia adjustment)	(3,989)
10	Adjustment for updated working capital	1,020
11	Adjustment for updated ADIT	13,351
12	Rounding errors	<u>(9,186)</u>
13	<b>Total Settlement adjustments (Sum of L4 thru L14)</b>	<b><u>(1,124,273)</u></b>
14	<b>Settlement Recommended decrease (L3 + L15)</b>	<b><u>(\$204,743)</u></b>

**CARDINAL PIPELINE COMPANY, LLC**  
Docket No. G-39, Sub 47  
**COMPUTATION OF COST OF SERVICE**  
For The Test Year Ended December 31, 2021

Settlement Exhibit A  
Schedule 1a

Line No.	Item	After Settlement Adjustments (a)	Rate Increase (Decrease) (b)	After Rate Adjustment (c)
<b><u>Operating Revenues</u></b>				
1	Transportation of gas	\$11,719,365	(\$204,743)	\$11,514,622
2	Other operating revenues	0		0
3	Total operating revenues (L1 + L2)	<u>11,719,365</u>	<u>(204,743)</u>	<u>11,514,622</u>
<b><u>Operating Expenses</u></b>				
4	Operating and maintenance	2,377,586		2,377,586
5	Depreciation	4,060,108		4,060,108
6	Pipeline integrity deferral	82,411		82,411
7	General taxes	539,104	(266)	538,837
8	Income taxes	881,259	(46,979)	834,280
8	EDIT Amortization	(518,652)		(518,652)
9	Total operating expenses (Sum of L4 thru L8)	<u>7,421,816</u>	<u>(47,245)</u>	<u>7,374,571</u>
10	Net operating income for a return (L3 - L9)	<u>\$4,297,549</u>	<u>(\$157,498)</u>	<u>\$4,140,051</u>
<b><u>Rate Base</u></b>				
11	Plant in service	\$156,592,986		\$156,592,986
12	Accumulated depreciation	(74,320,708)		(74,320,708)
13	Net plant in service (L11 + L12)	<u>82,272,278</u>	0	<u>82,272,278</u>
14	Working capital	357,899		357,899
15	Accumulated deferred income taxes	(26,264,333)		(26,264,333)
16	Original cost rate base (Sum of L13 thru L15)	<u>\$56,365,844</u>	<u>\$0</u>	<u>\$56,365,844</u>



**CARDINAL PIPELINE COMPANY, LLC**  
Docket No. G-39, Sub 47  
**CALCULATION OF GROSS REVENUE EFFECT FACTORS**  
For The Test Year Ended December 31, 2021

Settlement Exhibit A  
Schedule 1b

Line No.	Item	Capital Structure [1] (a)	Cost Rates [2] (b)	Retention Factors (c)	Gross Revenue Effect (d)
<b>Rate Base Factor:</b>					
1	Long-term debt	48.04%	4.96%	0.9987000 [3]	0.023859 [5]
2	Short-term debt	0.00%	0.00%	0.9987000 [3]	0.000000 [5]
3	Common equity	51.96%	9.55%	0.7692487 [4]	0.064507 [5]
4	Total (Sum of L1 thru L3)	100.00%			0.088366
 <b>Net Income Factor:</b>					
				Per Company	Per Settlement
5	Total revenue			1.0000000	1.0000000
6	Uncollectibles			0.0000000 [6]	0.0000000 [6]
7	Balance (L5 - L6)			1.0000000	1.0000000
8	Regulatory fee (L7 x .0013%)			0.0000000	0.0013000
9	Balance (L7 - L8)			1.0000000	0.9987000
10	State income tax (L9 x 2.5%)			0.0250000	0.0249675
11	Balance (L9 - L10)			0.9750000	0.9737325
12	Federal income tax (L11 x 21%)			0.2047500	0.2044838
13	Retention (Gross up) factor (L11 - L12)			0.7702500	0.7692487

[1] Settlement Exhibit A, Schedule 4, Column (a).  
 [2] Settlement Exhibit A, Schedule 4, Column (f).  
 [3] Line 9.  
 [4] Line 13.  
 [5] Column (a) x column (b).  
 [6] Cardinal does not have uncollectibles.

**CARDINAL PIPELINE COMPANY, LLC**  
Docket No. G-39, Sub 47  
**ORIGINAL COST RATE BASE**  
For The Test Year Ended December 31, 2021

Settlement Exhibit A  
Schedule 2

Under Present Rates							
Line No.	Item	Per Company After Pro Forma Adjustment [1] (a)	Correct Company Misclassification	Plant Update @ March 31, 2022 (b)	Working Capital Update [4] (c)	ADIT Update [4] (c)	After Settlement Adjustments [5] (d)
1	Plant in service	\$156,513,852	\$0	\$79,134 [2]			\$156,592,986
2	Accumulated depreciation	(72,552,544)	(\$803,313)	(\$964,851) [3]			(74,320,708)
3	Net plant in service (Sum of L1 thru L3)	83,961,308	(803,313)	(885,717)	0	0	\$82,272,278
4	Allowance for working capital	346,360	0	0	11,539		357,899
5	Accumulated deferred income taxes	(26,746,459)	331,039	0		151,087	(26,264,333)
6	Original cost rate base (Sum of L3 thru L5)	<u>\$57,561,209</u>	<u>(\$472,274)</u>	<u>(\$885,717)</u>	<u>\$11,539</u>	<u>\$151,087</u>	<u>\$56,365,844</u>
	Revenue requirement effect			(\$78,267)	\$1,020	\$13,351	

- [1] Miller Exhibit (KM-002), Schedule 8, Page 1 of 3, Column (d), Line 13 thru Line 17.  
[2] Settlement Exhibit A, Schedule 2-1, column (a), line 3.  
[3] Settlement Exhibit A, Schedule 2-1, column (a), line 8.  
[4] Per Company Update @ March 31, 2022.  
[5] Sum of columns (a) through (c).

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**Cardinal Pipeline Company, LLC**  
Docket No. G-39, Sub 47  
**SUPPORT FOR UPDATED PLANT IN SERVICE AND RATE BASE**  
For The Test Year Ended December 31, 2021

Settlement Exhibit A  
Schedule 2-1

Line No.	<u>Item</u>	<u>Amount</u> (a)	
<b><u>Plant in Service:</u></b>			
1	Plant in service update @ March 31, 2022	\$156,592,986	[1]
2	Less plant in service per Company application as of December 31, 2021	156,513,852	[2]
3	Public Staff's adjustment to plant in service (L1 - L2)	<u>\$79,134</u>	
<b><u>Accumulated Depreciation:</u></b>			
4	Accumulated depreciation per books March 31, 2022	(\$74,375,310)	[1]
5	Less accumulated reserve removal of ARO	<u>54,602</u>	[1]
6	Accumulated Depreciation per Public Staff (SUM L4 thru L7)	(\$74,320,708)	
7	Accumulated depreciation per Company filing	<u>(73,355,857)</u>	[3]
8	Public Staff's adjustment to accumulated depreciation (L8 -L9)	<u>(\$964,851)</u>	
<b><u>Depreciation Expense:</u></b>			
9	Per Public Staff at March 31, 2022	4,060,108	[1]
10	Per Company application	<u>4,048,466</u>	[4]
11	Adjustment to depreciation expense (L11 - L12)	\$11,642	
<b><u>Property Taxes:</u></b>			
12	Net Plant in Service adjustment @ March 31, 2022	79,134	[5]
13	2022 average North Carolina property tax rate	<u>0.008095</u>	[6]
14	Property taxes (L14 x L15)	<u>\$641</u>	

- [1] Per Company update @ March 31, 2022, with correction of misclassifications..
- [2] Miller Exhibit (KM-002), Schedule 8, Page 1 of 3, Column (d), Line 13 + Column (e), Line 13..
- [3] Miller Exhibit (KM-002), Schedule 8, Page 1 of 3, Column (d), Line 14.
- [4] Miller Exhibit (KM-002), Schedule 8, Page 1 of 3, Column (d), Line 4 + Column (e), Line 4.
- [5] Line 3.
- [6] Company's actual property tax rate per DR 18-2.

CARDINAL PIPELINE COMPANY, LLC  
Docket No. G-39, Sub 47  
**NET OPERATING INCOME FOR A RETURN**  
For The Test Year Ended December 31, 2021

Settl

Line No.	Item	Settlement Adjustments					Settlement Adjustments		
		After Company Pro Forma Adjustments [1] (a)	Correct Misclassification of Company Adjustments (b)	Plant Update @ March 31, 2022 (c)	Amortize EDIT (d)	Reg Fee Adjustment (e)	Interest Synchronization (f)	After Public Staff Adjustments [7] (g)	Rate Decrease (h)
<b>Operating Revenues:</b>									
1	Transportation of gas	\$11,719,365	\$0					\$11,719,365	(\$204,743) [8]
2	Other operating revenues	\$0	0					-	
3	Total operating revenues (L1 + L2)	<u>11,719,365</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,719,365</u>	<u>(204,743)</u>
<b>Operating Expenses:</b>									
4	Operating and maintenance	\$2,360,976	16,610					2,377,586	
5	Depreciation	\$3,856,754	191,712	11,642 [2]				4,060,108	
6	Regulatory debit (credit)	\$0	0					-	
7	General taxes	\$523,228	16,431	641 [3]		(1,196)		539,104	(266)
8	Income taxes	989,760	(73,738)	(2,822) [4]	915	275 [4]	(33,132) [6]	881,259	(46,979)
9	EDIT Amortization	(528,451)	13,783		(3,984)			(518,652)	
10	Pipeline Integrity Deferral	0	82,411					82,411	
11	Accretion Expense	0	0					-	
12	Total operating expenses (Sum of L4 thru L8)	<u>7,202,267</u>	<u>247,209</u>	<u>9,461</u>	<u>(3,069)</u>	<u>(921)</u>	<u>(33,132)</u>	<u>7,421,816</u>	<u>(47,245)</u>
13	Net operating income for a return (L3 - L9)	<u>\$4,517,098</u>	<u>(\$247,209)</u>	<u>(\$9,461)</u>	<u>\$3,069</u>	<u>\$921</u>	<u>\$33,132</u>	<u>\$4,297,549</u>	<u>(\$157,498)</u>
Revenue requirement effect			(\$321,365)	(\$12,299)	\$3,989	(\$1,198)	\$43,071		

[1] Miller Exhibit (KM-002), Schedule 8, p. 1, column (d).  
[2] Settlement Exhibit A, Schedule 2-2, column (a), line 11.  
[3] Settlement Exhibit A, Schedule 2-2, column (a), line 14.  
[4] Sum of lines 3 thru 8, times composite tax rate.  
[5] Settlement Exhibit A, Schedule 3-1, line 13.  
[6] Settlement Exhibit A, Schedule 3-4, line 6.  
[7] Company's proforma adjusted operating revenues X 0.13%  
[8] Settlement Exhibit A, Schedule 5, line 7.

CARDINAL PIPELINE COMPANY, LLC  
Docket No. G-39, Sub 47  
**NET OPERATING INCOME FOR A RETURN**  
For The Test Year Ended December 31, 2021

lement Exhibit A  
Schedule 3

Line No.	Item	After Rate Decrease (h)
<b>Operating Revenues:</b>		
1	Transportation of gas	\$11,514,622
2	Other operating revenues	
3	Total operating revenues (L1 + L2)	<u>11,514,622</u>
<b>Operating Expenses:</b>		
4	Operating and maintenance	2,377,586
5	Depreciation	4,060,108
6	Regulatory debit (credit)	-
7	General taxes	538,837
8	Income taxes	834,280
9	EDIT Amortization	(518,652)
10	Pipeline Integrity Deferral	82,411
11	Accretion Expense	
12	Total operating expenses (Sum of L4 thru L8)	<u>7,374,571</u>
13	Net operating income for a return (L3 - L9)	<u>\$4,140,051</u>

Revenue requirement effect

**CARDINAL PIPELINE COMPANY, LLC**  
 Docket No. G-39, Sub 47  
**NET OPERATING INCOME FOR A RETURN PER COMPANY**  
 For The Test Year Ended December 31, 2021

Settlement Exhibit A  
 Schedule 3a

<b>COMPANY PRO FORMA ADJUSTMENTS</b>											
Line No.	Item	Per Company Books [1]	Include Decreased Normalized Revenues	Decreased O&M Expenses	ARO Depreciation Expense	Removal of Regulatory Debit/Credit	EDIT Amortization	Removal of Accretion Expense	Company Interest Synchronization	Total Company Pro Forma Adjustments [10]	After Company Pro Forma Adjustments [11]
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
<b>Operating Revenues:</b>											
1	Transportation of gas	\$11,786,686	(\$67,321) [2]							(\$67,321)	\$11,719,365
2	Other operating revenues									\$0	-
3	Total operating revenues (L1 + L2)	<u>11,786,686</u>	<u>(67,321)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(67,321)</u>	<u>11,719,365</u>
<b>Operating Expenses:</b>											
4	Operating and maintenance	2,391,583		(30,607) [4]						(\$30,607)	2,360,976
5	Depreciation	3,846,736			10,018 [5]					\$10,018	3,856,754
6	Regulatory debit (credit)	40,565				(40,565) [6]				(\$40,565)	-
7	General taxes	523,228								\$0	523,228
8	EDIT Amortization	(713,556)					185,105 [7]			\$185,105	(528,451)
9	Pipeline Integrity Deferral	0								\$0	-
10	Accretion expense (ARO)	37,546						(37,546) [8]		(\$37,546)	-
11	Income taxes	<u>971,861</u>	(15,467) [3]	7,032 [3]	(2,302) [3]	9,320	(42,528) [3]	8,626 [3]	53,218 [9]	<u>\$17,899</u>	<u>989,760</u>
12	Total operating expenses (Sum of L4 thru L9)	<u>7,097,963</u>	<u>(15,467)</u>	<u>(23,575)</u>	<u>7,716</u>	<u>(31,245)</u>	<u>142,577</u>	<u>(28,920)</u>	<u>53,218</u>	<u>104,304</u>	<u>7,202,267</u>
13	Net operating income for a return (L3 - L10)	<u>\$4,688,723</u>	<u>(\$51,854)</u>	<u>\$23,575</u>	<u>(\$7,716)</u>	<u>\$31,245</u>	<u>(\$142,577)</u>	<u>\$28,920</u>	<u>(\$53,218)</u>	<u>(\$171,625)</u>	<u>\$4,517,098</u>

[1] Miller Exhibit (KM-002), Schedule 8, Page 1 of 3, Column (B), Line 1 thru Line 10.  
 [2] Miller Exhibit (KM-002), Schedule 8, Page 1 of 3, Column (C), Line 1.  
 [3] Sum of lines 3 thru 9, times composite tax rate.  
 [4] Miller Exhibit (KM-002), Schedule 8, Page 1 of 3, Column (C), Line 3.  
 [5] Miller Exhibit (KM-002), Schedule 8, Page 1 of 3, Column (C), Line 4.  
 [6] Miller Exhibit (KM-002), Schedule 8, Page 1 of 3, Column (C), Line 5.  
 [7] Miller Exhibit (KM-002), Schedule 8, Page 1 of 3, Column (C), Line 8.  
 [9] Settlement Exhibit A, Schedule 3b, line 6.  
 [10] Sum of columns (b) thru (h).  
 [11] Sum of columns (a) thru (j).

**CARDINAL PIPELINE COMPANY, LLC**  
Docket No. G-39, Sub 47  
**COMPANY INTEREST SYNCHRONIZATION ADJUSTMENT**  
For The Test Year Ended December 31, 2021

Settlement Exhibit A  
Schedule 3b

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Interest expense assigned per book tax computation	\$1,430,503 [1]
2	Interest expense assigned to rate base per Miller Exhibit, Statement H-3	<u>1,198,868</u> [2]
3	Difference in interest expense tax deduction (L2 - L1)	<u>(231,635)</u>
4	Adjustment to state income taxes (L3 x 2.5%)	<u>5,791</u>
5	Adjustment to federal income taxes (L3 - L4 x 21%)	<u>47,427</u>
6	Total adjustment to income taxes (L4 + L5)	<u>\$53,218</u>

[1] Miller Exhibit (KM-002), Statement H-3 of Item 4, column (B), line 3.  
[2] Miller Exhibit (KM-002), Schedule 8, Page 2 of 3, Column (G), Line 1

**Cardinal Pipeline Company**  
**Docket No. G-39, Sub 47**  
**Computation of Income Taxes Per Company Filing**  
**For The Test Year Ended December 31, 2021**

Line No.	Line No.	Item	Per Books	[1] Company Adjustments	Before Rate Increase	Proposed Increase	After Proposed Increase
1	1	Revenue	\$11,786,686	(\$67,321)	\$11,719,365	\$919,530	\$12,638,895
2	2	Operating and maintenance	2,391,583	(\$13,997)	2,377,586		2,377,586
3	3	Depreciation	3,846,736	201,730	4,048,466		4,048,466
4	4	Regulatory debit	40,565	(40,565)	-		-
		EDIT Amortization	(713,556)	198,888	(514,668)		(514,668)
		Pipeline Integrity Deferral	-	82,411	82,411		82,411
5	5	Accretion expense	37,546	(37,546)	-		-
6	6	General taxes	523,228	16,431	539,659		539,659
7	7	Income before interest & taxes	5,660,584	(474,673)	5,185,911	919,530	6,105,441
8	8	Other income/expense	-	0	-	0	-
9	9	Interest expense	(1,430,503)	231,635	(1,198,868)		(1,198,868)
10	10	Book state taxable income	4,230,081	(243,038)	3,987,043	919,530	4,906,573
11	11	State taxes @ 2.5%	105,752	(6,076)	99,676	22,988	122,664
12	12	Book federal taxable income	4,124,329	(236,962)	3,887,367	896,542	4,783,909
13	13	Federal taxes @ 21%	866,109	(49,762)	816,347	188,274	1,004,621
14	14	Total income taxes	971,861	(\$55,838)	916,023	\$211,262	\$1,127,285
15	15	Other income tax adjustment (L7)		-			
16	16	Composite income tax rate		22.975%			
17	17	Other adjustment to income taxes		\$0			

[1] Miller Exhibit (KM-002), Schedule 8.



**CARDINAL PIPELINE COMPANY, LLC**  
Docket No. G-39, Sub 47  
**AMORTIZE EDIT - REVERSE SOUTH GEORGIA**  
For The Test Year Ended December 31, 2021

Settlement Exhibit A  
Schedule 3-1

Line No.	Item	Amount
1	Regulatory Liability - Principle Balance	10,527,845 [1]
2	Tax Gross Up	3,209,172 [4]
3	Total Regulatory Liability - Income Tax Rate Reduction 1/	13,737,017 [2]
	<u>Average Remaining Life (ARL)</u>	
4	Depreciable Plant	154,928,374 [3]
5	Less Accumulated Depreciation Reserve	(71,831,208) [4]
6	Total Net Depreciable Plant	83,097,166 [5]
7	Depreciation Expense	3,137,399 [6]
8	Total ARL (Years)	26.49 [7]
9	PrincipAL Amortization	(397,487) [8]
10	Gross Up Amount	(121,165) [9]
11	Total RSG Amortization per Public Staff	(518,652) [10]
12	Total RSG Amortization per Company	514,668 [1]
13	Settlement adjustment	(3,984) [12]

- [1] Exhibit (KM-002), Statement H-3(a) Column (B).
- [2] Sum of L1 + L2
- [3] Exhibit (KM-002), Statement C, Column (B), the sum of depreciable intangible plant and transmission plant.
- [4] Company March 31, 2022 updated Statement D.
- [5] Sum of L4 + L5
- [6] Settlement Exhibit A, Schedule 2-2, column (a), line 11.
- [7] Sum of L6/L7
- [8] Sum of L1/L8
- [9] Sum of L2/L8
- [10] Sum of L3/L8
- [11] Sum of L11 + L12

**CARDINAL PIPELINE COMPANY, LLC**  
Docket No. G-39, Sub 47  
**PUBLIC STAFF INTEREST SYNCHRONIZATION ADJUSTMENT**  
For The Test Year Ended December 31, 2021

Settlement Exhibit A  
Schedule 3-2

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Interest expense assigned to rate base per Company	\$1,198,868 [1]
2	Interest expense assigned to rate base per Public Staff	<u>1,343,076 [2]</u>
3	Difference in interest expense tax deduction (L2 - L1)	<u>144,208</u>
4	Adjustment to state income taxes (L3 x 2.5%)	<u>(3,605)</u>
5	Adjustment to federal income taxes (L3 - L4 x 21%)	<u>(29,527)</u>
6	Total adjustment to income taxes (L4 + L5)	<u><u>(\$33,132)</u></u>

[1] Miller Exhibit (KM-002), Schedule 8, Page 2 of 3, Column G, Line 1

[2] Settlement Exhibit A, Schedule 4, Column (h), Line 1 + Line 2.

**CARDINAL PIPELINE COMPANY, LLC**  
Docket No. G-39, Sub 47  
**RETURN ON EQUITY AND ORIGINAL COST RATE BASE**  
For The Test Year Ended December 31, 2021

Settlement Exhibit A  
Schedule 4

Line No.	Item	Before Settlement Increase					After Settlement Increase			
		Capitalization Ratios [1] (a)	Original Cost Rate Base (b)	Embedded Cost/Return % (c)	Weighted Cost/Return % (d)	Net Operating Income (e)	Embedded Cost/Return % [1] (f)	Weighted Cost/Return % (g)	Net Operating Income (h)	
1	Long-term debt	48.04%	\$27,078,151 [2]	4.96% [1]	2.38% [5]	\$1,343,076 [7]	4.96%	2.38% [10]	\$1,343,076 [12]	
2	Short-term debt	0.00%	0 [2]	0.00% [1]	0.00% [5]	0 [7]	0.00%	0.00% [10]	\$0 [12]	
3	Common equity	<u>51.96%</u>	<u>29,287,693</u> [2]	10.09% [4]	<u>5.24%</u> [5]	<u>2,954,473</u> [8]	9.55%	<u>4.96%</u> [10]	<u>\$2,796,975</u> [12]	
4	Totals (Sum of L1 thru L3)	<u>100.00%</u>	<u>\$56,365,844</u> [3]		<u>7.62%</u> [6]	<u>\$4,297,549</u> [9]		<u>7.34%</u> [11]	<u>\$4,140,051</u> [13]	

- [1] Per Public Staff Witness [Hinton](#).
- [2] Column (a) x Column (b), Line 4.
- [3] Settlement Exhibit A, Schedule 2, Column (c), Line 9.
- [4] Column (e) / Column (b).
- [5] Column (a) x Column (c).
- [6] Column (e), Line 4 / Column (b), Line 4.
- [7] Column (b) x Column (c).

- [8] Column (e), Line 4 - Line 1 - Line 2.
- [9] Settlement Exhibit A, Schedule 3, Column (d), Line 11.
- [10] Column (a) x Column (f).
- [11] Column (h), Line 4 / Column (b), Line 4.
- [12] Column (b) x Column (f).
- [13] Sum of Line 1 thru L3.

**CARDINAL PIPELINE COMPANY, LLC**  
Docket No. G-39, Sub 47  
**CALCULATION OF INCREASE (DECREASE) IN**  
**REVENUE REQUIREMENT**  
For The Test Year Ended December 31, 2021

Settlement Exhibit A  
Schedule 5

Line No.	Item	Amount
1	Common equity portion of rate base	\$29,287,693 [1]
2	Rate of return required on common equity	<u>9.55%</u> [2]
3	Income required for return on common equity (L1 x L2)	2,796,975
4	Less: income available	<u>2,954,473</u> [3]
5	Income increase (decrease) (L3 - L4)	(157,498)
6	Retention factor	<u>0.7692487</u> [4]
7	Gross revenue increase (decrease) (L5 / L6)	<u><u>(\$204,743)</u></u>

[1] Settlement Exhibit A, Schedule 4, Column (b), Line 3.  
[2] Provided by Public Staff Witness Hinton.  
[3] Settlement Exhibit A, Schedule 4, Column (e), Line 3.  
[4] Settlement Exhibit A, Schedule 1b, Column (d), Line 13.