

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

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

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-39, SUB 46)	
)	
In the Matter of)	
Cardinal Pipeline Company, LLC, Depreciation)	
Rate Study as of December 31, 2020)	ORDER ESTABLISHING
)	GENERAL RATE CASE AND
DOCKET NO. G-39, SUB 47)	SUSPENDING RATES
)	
In the Matter of)	
Application of Cardinal Pipeline Company, LLC,)	
for an Adjustment in Its Rates and Charges)	

BY THE COMMISSION: On February 10, 2022, Cardinal Pipeline Company, LLC (Cardinal or the Company), filed a notice of its intention to file a general rate case application pursuant to Commission Rule R1-17(a).

On March 15, 2022, Cardinal filed an application with the Commission requesting authority to increase its rates and charges (Application) to produce an increase in its annual operating revenues of \$919,530, which is an overall increase of approximately 7.28%.

In support of its Application, Cardinal states that the Joint Stipulation approved by the Commission in its Order Decreasing Rates, *In re Application of Cardinal Pipeline Company, LLC, for an Adjustment in Its Rates and Charges*, No. G-39, Sub 38 (N.C.U.C. July 27, 2017), required Cardinal to file a general rate case no later than March 15, 2022. Cardinal also states that the rate increase is due to the need to comply with the Commission's Order Addressing the Impacts of the Federal Tax Cuts and Jobs Act on Public Utilities, sufficient to allow Cardinal to recover its cost of service including a just and reasonable return on its investment. Cardinal further states that contributing to the proposed overall rate increase are several adjustments to Cardinal's various operating and maintenance (O&M) expenses, insurance premiums, rent, legal and rate case expenses, adjusted depreciation rates, and an overall decrease in rate base.

Cardinal states that it has an established Integrity Management Program to comply with the rules of the Pipeline and Hazardous Materials Safety Administration (PHMSA). Cardinal's Integrity Management Program requires an assessment of its pipeline every seven years. Cardinal states that it performed its last assessment in 2018 and incurred

\$412,056 in expenses, which were placed in a deferred account (regulatory asset). Cardinal seeks to collect these expenses over five years, the presumed rate period of the rates proposed in the Application, for an annual amortization of \$82,411. Because Cardinal's operations and maintenance expenses for the test year did not include any expenses for the required pipeline assessment, Cardinal proposes to place the actual costs incurred for the 2025 assessment in a regulatory deferred account for proposed recovery in a future rate proceeding.

Cardinal also proposes a new deferral mechanism to address the extraordinary costs it will incur in response to a new federal mandate involving the hardening of cybersecurity infrastructure since the O&M expenses for the test year do not include any expenses providing for Cardinal's compliance with federal mandates. Cardinal has proposed to amortize the deferred O&M cost for recovery in future rates.

On March 28, 2022, the Public Staff filed a motion requesting that the Commission issue an order consolidating Cardinal's Depreciation Rate Study as filed in Docket No. G-39, Sub 46, with its general rate case application filed in Docket No. G-39, Sub 47.

On April 4, 2022, the Commission issued an order consolidating these dockets.

On April 5, 2022, the Public Staff filed a letter with the Commission recommending that Cardinal's application be declared a general rate case and that the proposed rates and charges be suspended for up to 270 days from April 14, 2022, the date when such rates would otherwise go into effect.

Based upon a review of the application and the Public Staff's recommendation, the Commission finds that the proposed changes in the Company's rates and charges constitute a general rate case and that the proposed new rates should be suspended pending investigation.

IT IS, THEREFORE, ORDERED as follows:

1. That this proceeding is declared a general rate case pursuant to N.C. Gen. Stat. § 62-133 and Commission Rule R1-17;
2. That the proposed new rates are suspended for up to 270 days pursuant to N.C.G.S. § 62-134;
3. That the test year period is established as the 12-month period ending on December 31, 2021; and

4. That the Commission shall issue an order establishing discovery guidelines, scheduling hearings, and requiring customer notice at a later date.

ISSUED BY ORDER OF THE COMMISSION.

This the 7th day of April, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Erica N. Green". The signature is written in a cursive style with a large, stylized initial "E".

Erica N. Green, Deputy Clerk