



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

April 27, 2022

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

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

Dear Ms. Dunston:

On February 10, 2022, Cardinal Pipeline Company, LLC (Cardinal), 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 a verified application (Application) with the Commission, pursuant to N.C. Gen. Stat. § 62-133, requesting authority to adjust its rates and charges for natural gas service effective May 1, 2022. In its Application, Cardinal proposes rate changes that would 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 on July 27, 2017, in its Order Decreasing Rates in Docket No. G-39, Sub 38, required Cardinal to file a general rate case no later than March 15, 2022. Cardinal states that the rate increase is due to the need to comply with the NCUC Order Addressing 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. 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.

Executive Director
(919) 733-2435

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Economic Research
(919) 733-2267

Energy
(919) 733-2267

Legal
(919) 733-6110

Transportation
(919) 733-7766

Water/Telephone
(919) 733-5610

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April 27, 2022

Cardinal 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 is seeking 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 O&M expenses for the test year did not include any expenses for the required pipeline assessment, Cardinal is proposing to place the actual costs incurred for the 2025 assessment in a regulatory deferred account for proposed recovery in a future rate proceeding.

In this proceeding, Cardinal has proposed a new deferral mechanism to address the extraordinary costs it will incur in response to a federal mandate since the O&M for the test year does not include any expenses for Cardinal to be compliant with federal mandates. Cardinal has proposed to amortize the deferred O&M costs 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 Study as filed in Docket No. G-39, Sub 46 with its general rate case application in Docket No. G-39, Sub 47. The Commission issued an order consolidating the aforementioned dockets on April 4, 2022.

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 on which those rates would otherwise go into effect.

On April 7, 2022, the Commission issued an Order Establishing General Rate Case and Suspending Rates.

The Public Staff respectfully recommends that Cardinal's Application be set for hearing and that the Commission establish deadlines for petitions to intervene and file testimony, establish appropriate discovery rules and require notice to customers. A proposed order is attached. Cardinal and the intervenors of record have reviewed the proposed order, and the Public Staff has been authorized to represent that no party objects to this order.

Sincerely,

Electronically submitted

/s/ Gina Holt

Staff Attorney

gina.holt@psncuc.nc.gov

cc: Parties of Record

OFFICIAL COPY

Apr 27 2022

**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)	ORDER SCHEDULING INVESTIGATION
Depreciation Rate Study as of)	AND HEARING, ESTABLISHING
December 31, 2020)	INTERVENTION AND TESTIMONY DUE
)	DATES AND DISCOVERY GUIDELINES,
DOCKET NO. G-39, SUB 47)	AND REQUIRING NOTICE
)	
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 R1-1-17(a).

Also on February 10, 2022, Cardinal filed a request for a waiver of three Commission requirements generally applicable to the filing of a rate case. Specifically, Cardinal requested waiver of Commission Rule R1-17(b)(13)(d), which requires publication of a notice to customers of a general rate case application, since its only customers are Piedmont Natural Gas Company, Inc. (Piedmont) and Public Service Company of North Carolina, Inc. (PSNC), and both Piedmont and PSNC are aware of the rate case application. Cardinal also requested waiver of the Commission Form G-1, Rate Case Information Report requirements to file "Item 25 – Accounts Payable" and "Item 26 – Lead/Lag Study."

On March 15, 2022, Cardinal filed an application with the Commission requesting authority to increase its rates and charges 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 on July 27, 2017, in its "Order Decreasing Rates" in Docket No. G-39,

Sub 38, required Cardinal to file a general rate case no later than March 15, 2022. Cardinal's current rates were established in Docket No. G-39, Sub 38, as subsequently adjusted by Docket Nos. M-100, Sub 138 and G-39, Sub 42. Cardinal is seeking an increase in those rates in an amount sufficient to allow Cardinal to recover its cost of service, including a just and reasonable return on its investment. Contributing to the proposed overall rate increase are several adjustments to Cardinal's various operating and maintenance expenses (O&M), insurance premiums, rent, legal and rate case expenses, adjusted depreciation rates, and an overall decrease in rate base.

Cardinal 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 is seeking 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 is proposing to place the actual costs incurred for the 2025 assessment in a regulatory deferred account for proposed recovery in a future rate proceeding.

In this proceeding, Cardinal has proposed a new deferral mechanism to address the extraordinary costs it will incur in response to a federal mandate since the O&M for the test year does not include any expenses for Cardinal to be compliant 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 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. Also on April 4, 2022, the Commission issued an order granting Cardinal's request for waivers.

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 on which those rates would otherwise go into effect.

On April 7, 2022, the Commission issued an Order Establishing General Rate Case and Suspending Rates.

Based upon the foregoing, the Commission finds good cause to set the application for hearing, establish deadlines for petitions to intervene and file testimony, establish appropriate discovery rules, and require notice to customers.

The guidelines regarding discovery in this docket, subject to modification for good cause shown, are as follows:

1. Any deposition that a party desires to take shall be taken before the deadline for the filing of Public Staff and other Intervenor testimony. A notice of deposition shall be served on all parties at least seven (7) calendar days prior to the taking of the deposition.
2. Any motion for subpoena of a witness to appear at the evidentiary hearing shall be filed with the Commission before the deadline for the filing of the Public Staff and other intervenor testimony, shall be served by hand-delivery, facsimile, or by means of electronic delivery, upon agreement of the receiving party, to the person sought to be subpoenaed at, or before, the time of filing with the Commission, and shall make a reasonable showing that the evidence of such person will be material and relevant to an issue in the proceeding pursuant to N.C. Gen .Stat. § 62-62. Unless an objection is filed, the Chief Clerk shall issue the requested subpoena one business day after such a motion is filed.
3. Formal discovery requests related to the application and the Company's prefiled direct testimony shall be served on the Company by means of electronic delivery, upon agreement of the receiving party, not later than fourteen (14) calendar days prior to the filing of Public Staff and other Intervenor testimony. Such discovery requests need not be filed with the Commission. The party served shall have up to three (3) business days to file with the Commission objections to the discovery requests on an item-by-item basis, but in no event shall objections be filed later than ten (10) calendar days prior to the deadline for the filing of Public Staff and other Intervenor testimony. The party filing objections shall attach a copy of the discovery request and shall serve a copy by means of electronic delivery, upon agreement of the receiving party, on the party seeking discovery at, or before, the time of filing with the Commission.
4. Formal discovery requests related to the prefiled direct testimony of the Public Staff or other Intervenors shall be served by means of electronic delivery, upon agreement of the receiving party, not later than three (3) business days after such testimony is filed. Such discovery requests need not be filed with the Commission. The party served shall have up to three (3) business days to file with the Commission objections to the discovery requests on an item-by-item basis, but in no event shall objections be filed later than five (5) calendar days after that party's testimony was filed. The party filing objections shall attach a copy of the discovery request and shall serve a copy by means of electronic delivery, upon agreement of the receiving party, on the party seeking discovery at, or before, the time of filing with the Commission.

5. Formal discovery requests related to the Company's prefiled rebuttal testimony shall be served on the Company by means of electronic delivery upon agreement of the receiving party not later than two (2) business days after such testimony is filed. Such discovery requests need not be filed with the Commission. The party served shall have up to two (2) business days to file with the Commission objections to the discovery requests on an item-by-item basis, but in no event shall objections be filed later than three (3) business days after the rebuttal testimony was filed. The party filing objections shall attach a copy of the discovery request and shall serve a copy by means of electronic delivery, upon agreement of the receiving party, on the party seeking discovery at, or before, the time of filing with the Commission. Discovery related to rebuttal testimony shall be limited to new material introduced in such rebuttal testimony and will be carefully scrutinized upon objection that such discovery should have been sought during the initial period of discovery from the Company.
6. A party shall not be granted an extension of time to pursue discovery because of that party's late intervention or other delay in initiating discovery.

The Commission recognizes that in the past most discovery has been conducted in an informal manner without the need for Commission involvement or enforcement, and that such has been generally successful. The above guidelines are without prejudice to the parties conducting informal discovery or exchanging information by agreement at any time with the understanding that such will not be enforceable by the Commission if outside the guidelines.

Finally, the Commission shall require Cardinal to consult with all other parties and file, not later than Thursday, June 30, 2022, a joint list of witnesses to be called at the hearing, the order of witnesses, and the order and estimated time for cross-examination. If the parties cannot reach agreement, the remaining parties shall, not later than Friday, July 1, 2022, make a filing indicating their points of disagreement with the Company's filing.

IT IS, THEREFORE, ORDERED as follows:

1. That the hearing on the application be scheduled on Monday, July 11, 2022, at 1:00 p.m., Commission Hearing Room No. 2115, Second Floor, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina.
2. That the test period to be used by all parties in this proceeding shall be the twelve-month period ending on December 31, 2021, with appropriate adjustments.
3. That the parties shall comply with the discovery guidelines established herein.

4. That Cardinal shall consult with all other parties and file, not later than Thursday, June 30, 2022, a joint list of witnesses to be called at the hearing, the order of witnesses, and the order and estimated time for cross-examination. If the parties cannot reach agreement, the remaining parties shall, not later than Friday, July 1, 2022, make a filing indicating their points of disagreement with the Company's filing.

5. That Cardinal shall mail to each of its customers a copy of the Notice of Hearing, attached hereto as Appendix A, within thirty (30) days from the date of this order.

6. That petitions to intervene in this proceeding shall be filed pursuant to Commission Rules R1-5, R1-6, R1-7, and R1-19 not later than Friday, June 10, 2022.

7. That direct testimony and exhibits of Intervenors, protestants, and the Public Staff shall be filed on or before Friday, June 10, 2022, and that the rebuttal testimony and exhibits, if any, of any and all parties shall be filed on or before Friday, June 24, 2022.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of April, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

**APPENDIX A
NOTICE OF HEARING**

**CARDINAL PIPELINE COMPANY, LLC
DOCKET NO. G-39, SUB 46
DOCKET NO. G-39, SUB 47**

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

NOTICE IS GIVEN that on March 15, 2022, Cardinal Pipeline Company, LLC (Cardinal), filed an application with the Commission requesting authority to increase its rates and charges to produce an annual increase in revenues of \$919,530, or approximately 7.82%.

In support of the application, Cardinal stated that the Stipulation approved by the Commission on July 27, 2017, in its "Order Decreasing Rates" in Docket No. G-39, Sub 38, required Cardinal to file a general rate case no later than March 15, 2022. Cardinal's current rates were established in Docket No. G-39, Sub 38, as subsequently adjusted by Docket Nos. M-100, Sub 138 and G-39, Sub 42. Cardinal is seeking an increase in those rates in an amount sufficient to allow Cardinal to recover its cost of service including a just and reasonable return on its investment. Contributing to the proposed overall rate increase are several adjustments to Cardinal's various operation and maintenance (O&M) expenses, insurance premiums, rent, legal and rate case expenses, adjusted depreciation rates, and an overall decrease in rate base.

Cardinal 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 performed its last assessment in 2018 and incurred \$412,056 in expenses which were placed in a deferred account (regulatory asset). Cardinal is seeking 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 is proposing to place the actual costs incurred for the 2025 assessment in a regulatory deferred account for proposed recovery in a future rate case proceeding.

In this proceeding, Cardinal has proposed a new deferral mechanism to address the extraordinary costs it will incur in response to a federal mandate, since the O&M for the test year does not include any expenses for Cardinal to be compliant with federal mandates. Cardinal has proposed to amortize the deferred O&M cost for recovery in future rates.

The present and proposed rates of Cardinal are as follows:

	Description	Present Rates* 1/	Proposed Rates
1	<u>Monthly Reservation Charges (\$/Mcf)</u>		
2	Zone 1A	\$0.79026	\$0.89687
3	Zone 1B	\$1.22568	\$1.39104
4	Zone 2	\$2.53828	\$2.71483
5	<u>Monthly Reservation Charges (\$/Dt)</u>		
6	Zone 1A	\$0.76354	\$0.86654
7	Zone 1B	\$1.18424	\$1.34400
8	Zone 2	\$2.45244	\$2.62302
9	<u>Daily Reservation Charges (\$/Dt)</u>		
10	Zone 1A	\$0.02510	\$0.02849
11	Zone 1B	\$0.03893	\$0.04419
12	Zone 2	\$0.08063	\$0.08624
13	<u>Excess CFT Service (\$/Dt)</u>		
14	Zone 1A	\$0.02510	\$0.02849
15	Zone 1B	\$0.03893	\$0.04419
16	Zone 2	\$0.08063	\$0.08624

* Mcf: Thousand Cubic Feet, Dt: Dekatherms

1/: Present Rates from Cardinal's Approved October 25, 2018 Federal Tax Cuts and Jobs Act Filing in Docket Nos. M-100, Sub 148 and G-39, Sub 42, effective January 1, 2018.

A list of present rates, together with details of the proposed adjustments in rates, can be obtained at the business offices of Cardinal, or at the Office of the Chief Clerk of the Commission, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina, where a copy of the proposed application is available for review by any interested person. Upon written request, the Commission will place copies of the application and prefiled testimony in centrally located public libraries. The name and location of the library must be identified in the request. Information and filings relating to this proceeding can also be accessed from the Commission's website at www.ncuc.net under the docket number of this proceeding. The burden of proof shall be upon Cardinal to show that the proposed rates applied for are just and reasonable.

The Commission has issued an order suspending the proposed rates for up to 270 days from April 14, 2022, subject to modification pursuant to further investigation and a final order of the Commission in this docket, established deadlines for petitions to intervene and file testimony, established appropriate discovery rules, and required notice to customers.

Notice is given that the Commission has scheduled the application for a general rate case for hearing as follows:

Monday, July 11, 2022, at 1:00 p.m., Commission
Hearing Room No. 2115, Second Floor, Dobbs Building,
430 North Salisbury Street, Raleigh, North Carolina.

Persons desiring to present testimony for the record should appear at the hearing. Persons desiring to send written statements to inform the Commission of their positions in the matter should address their statements to the North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4300 and reference Docket No. G-39, Sub 47. However, such written statements cannot be considered competent evidence unless those persons appear at the hearing and testify concerning the information contained in their written statements. Persons may also email the Commission a statement about the application via the Commission's website at www.ncuc.net/contactus.html. In either case, consumer statements will be placed in Docket No. G-39 Sub 47 and may be accessed by searching that docket number via the Commission's website.

Persons having an interest in the investigation and desiring to intervene in the matter as formal parties of record may file their protests or interventions not later than Friday, June 10, 2022, and in accordance with Rules R1-5, R1-6, R1-7, and R1-19 of the Commission's Rules and Regulations.

The Public Staff - North Carolina Utilities Commission (Public Staff), through its Executive Director, is authorized by statute to represent the using and consuming public in proceedings before the Commission. Statements to the Executive Director should be addressed to:

Mr. Christopher J. Ayers
Executive Director
Public Staff - NCUC
4326 Mail Service Center
Dobbs Building
Raleigh, NC 27699-4300

The Attorney General is also authorized to represent the using and consuming public in proceedings before the Commission. Statements to the Attorney General should be addressed to:

The Honorable Josh Stein
Attorney General of North Carolina
c/o Utilities Division
P. O. Box 629
Raleigh, NC 27602

This the ____ day of April 2022.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

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Apr 27 2022