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August 29, 2022

Ms. Shonta Dunston
Chief Clerk
North Carolina Utilities Commission
430 N. Salisbury Street, Dobbs Building
Raleigh, North Carolina 27603

Re: Docket No. G-39, Subs 46 and 47


Dear Ms. Dunston:

Attached for filing is the Joint Proposed Order of Cardinal Pipeline Company, LLC, Public Service Company of North Carolina, Inc., Piedmont Natural Gas Company, Inc., and the Public Staff in the above-referenced docket.

By copy of this letter, I am forwarding a copy to all parties of record by electronic delivery.

Sincerely,

Cardinal Pipeline Company, LLC

By 

Robert W. Kaylor
Its Attorney
OF COUNSEL:
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Aug 29 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)	
Depreciation Rate Study as of)	
December 31, 2020)	JOINT PROPOSED ORDER
)	APPROVING STIPULATION
DOCKET NO. G-39, SUB 47)	
)	
In the Matter of)	
Application of Cardinal Pipeline)	
Company, LLC for an Adjustment in)	
its Rates and Charges)	

HEARD: Monday, July 11, 2022, at 1:00 p.m., in Commission Hearing Room, Dobbs Building, 430 N. Salisbury Street, Raleigh, North Carolina

BEFORE: Commissioner Karen M. Kemerait, Presiding, and Chair Charlotte A. Mitchell and Commissioner ToNola D. Brown-Bland

APPEARANCES:

For Cardinal Pipeline Company, LLC:

Robert W. Kaylor, Esq., 353 East Six Forks Road, Suite 260, Raleigh, North Carolina 27609

For the Using and Consuming Public:

Gina C. Holt, Esq., Public Staff – North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-4300

Reita D. Coxton, Esq., Public Staff – North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-4300

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For Piedmont Natural Gas Company, Inc.

Kristin Athens, Esq., McGuireWoods LLP, 201 North Tryon Street,
Suite 3000, Charlotte, North Carolina 28202

For Public Service Company of North Carolina, Inc.

Mary Lynne Grigg, Esq., McGuireWoods LLP, 501 Fayetteville
Street, Suite 500, Raleigh, North Carolina 27601

BY THE COMMISSION: On October 26, 2021, in Docket No. G-39, Sub 46 (Sub 46 Docket), Cardinal Pipeline Company, LLC (Cardinal or the Company) filed a Depreciation Rate Study (2021 Depreciation Rate Study) pursuant to Commission Rule R6-80, which requires each natural gas utility to submit a depreciation study for North Carolina Utilities Commission (Commission or NCUC) approval every five years. Cardinal stated that its existing depreciation rates were contained in Cardinal's Depreciation Rate Study as of December 31, 2015 and were implemented in Docket No. G-39, Sub 38, Cardinal's last general rate case, effective August 1, 2017.

On February 11, 2022, Cardinal filed a notice of its intention to file a general rate case application pursuant to Commission Rule R1-17(a). On February 11, 2022, Cardinal also 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, and waiver of the Commission Form G-1, Rate Case Information Report requirements to file "Item 25 – Accounts Payable" and "Item 26 – Lead/Lag Study." The Commission granted this waiver request on April 4, 2022.

On March 15, 2022, Cardinal filed an application (Sub 47 Rate Case Application) in Docket No. G-39, Sub 47 (Sub 47 Rate Case Docket), seeking approval of: (1) an adjustment in its rates; (2) revised and updated amortizations and recovery of certain regulatory assets accrued since the Company's last general rate case; (3) the flowback of certain regulatory liabilities arising from excess deferred income taxes (EDIT) associated with the Tax Cuts and Jobs Act of 2017 and state income tax reductions; (4) authority to place certain pipeline integrity management costs in a deferred account for proposed future collection; (5) a request for deferred accounting treatment of cybersecurity expenses; and (6) other updates and revisions to Cardinal's rate schedules. Cardinal's Sub 47 Rate Case Application included a request for approval to implement the depreciation rate changes included in its 2021 Depreciation Rate Study. The test year used was the twelve-month period ending on December 31, 2021. Included with that filing was certain information and data required by NCUC Form G-1; and the direct testimony and exhibits of (1) Kerri H. Miller, Lead Regulatory Analyst Cardinal Operating Company, LLC, as Operator of Cardinal; (2) Michael P. Cousino, a tax analyst, (3) David J. Haag, an economist; and (4) Steven R. Fall, an energy consultant.

On March 28, 2022, the Public Staff – North Carolina Utilities Commission (Public Staff) filed a motion to consolidate Cardinal's Sub 46 Docket and Sub 47 Rate Case Docket, which was granted by Commission Order on April 4, 2022.

On March 29, 2022, Piedmont Natural Gas Company, Inc. (Piedmont) filed a petition to intervene, which was granted by Commission Order on April 4, 2022.

On March 31, 2022, Public Service Company of North Carolina, Inc. (PSNC) filed a petition to intervene, which was granted by Commission Order on April 4, 2022.

On April 5, 2022, the Public Staff filed a letter requesting the Commission to declare Cardinal's rate increase application a general rate case and suspend rates for up to 270 days from April 14, 2022, the date on which rates would otherwise go into effect.

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

On April 27, 2022, the Public Staff filed a letter and motion recommending that Cardinal's Sub 47 Rate Case Application be set for hearing and the Commission establish deadlines for petitions to intervene and filing testimony, establish discovery rules, and require notice to customers.

On May 2, 2022, the Commission issued an Order Scheduling Investigation, Establishing Intervention and Testimony Due Dates and Discovery Guidelines, and Requiring Notice. The Order scheduled a hearing on Cardinal's Sub 47 Rate Case Application on July 11, 2022.

On June 10, 2022, the Public Staff filed the direct testimony and exhibits of witnesses: Roxie McCullar, Public Staff Depreciation Consultant, and John R. Hinton, Director of the Public Staff Economic Research Division. The Public Staff also filed a motion requesting Commission authorization for (1) an extension of time until June 13, 2022, to file the direct testimony and exhibits of intervenors

including the direct testimony and exhibits of the Public Staff's engineering and accounting witnesses and (2) an extension of time to file Cardinal's rebuttal testimony and exhibits, if any, to June 27, 2022. This motion was granted by the Commission on June 10, 2022.

On June 13, 2022, the Public Staff filed the direct testimony and exhibits of Neha Patel, Manager of the Natural Gas Section of the Public Staff Energy Division and Sonja R. Johnson, Manager for Natural Gas and Transportation with the Public Staff Accounting Division.

On June 27, 2022, Cardinal filed the Rebuttal Testimony of David J. Haag and Kerri H. Miller.

After the filing of Cardinal's Sub 47 Rate Case Application in this docket, the Public Staff examined Cardinal's books and records and engaged in substantial discovery regarding the matters addressed by Cardinal's Sub 47 Rate Case Application, including the 2021 Depreciation Rate Study in the Sub 46 Docket. Following the completion of the Public Staff's investigation, a settlement conference was convened, as well as numerous conference calls, and Cardinal, Piedmont, and the Public Staff (Stipulating Parties) were able to arrive at a settlement of all the issues in this consolidated proceeding, the terms of which are reflected in a Settlement Agreement and Stipulation (Original Stipulation) and the exhibits attached thereto.

On July 5, 2022, the Stipulating Parties filed the Original Stipulation, the Public Staff filed Settlement Testimony on behalf of John R. Hinton and Sonja R.

Johnson, and Cardinal filed Settlement Testimony on behalf of David J. Haag, Steven R. Fall, and Kerri H. Miller.

On July 6, 2022, the Stipulating Parties with PSNC filed a joint Motion to Excuse Witnesses and to Cancel Evidentiary Hearing.

On July 8, 2022, the Commission issued its Order Allowing in Part and Denying in Part Joint Motion to Excuse Witnesses, excusing all Cardinal witnesses and Public Staff witness Roxie McCuller, from attending the expert witness hearing on July 11, 2022, and receiving their testimony and exhibits into evidence without objection at the hearing. However, the Order concluded that the Commission may need additional testimony from Public Staff witnesses John R. Hinton, Neha Patel, and Sonja R. Johnson and, therefore, declined to excuse these witnesses or cancel the hearing.

On July 11, 2022, the case came on for hearing as scheduled in Raleigh. Public Staff witnesses John R. Hinton, Neha Patel, and Sonja R. Johnson appeared. At the hearing, the Commission took additional testimony from the Public Staff witnesses, admitted into evidence all pre-filed testimony and exhibits filed in the consolidated dockets, and Cardinal moved the admission of the Original Stipulation into the record, which was granted. At the hearing, the Commission requested that Public Staff file two late-filed exhibits in this proceeding, relating to the calculation of the regulatory fee set forth in the Original Stipulation and the calculation of depreciation expense.

Also on July 11, 2022, PSNC notified the Commission that it had joined the Original Stipulation and is now a Stipulating Party in these consolidated proceedings.

On August 12, 2022, the Public Staff filed a motion for a two-week extension of time to file proposed orders, which was granted by order of the Commission on August 12, 2022.

On August 25, 2022, the Public Staff filed the late-filed exhibit relating to the calculation of the regulatory fee as requested by the Commission.

On August 26, 2022, the Public Staff filed the late-filed exhibit relating to the calculation of depreciation expense as requested by the Commission.

On August 29, 2022, the Stipulating Parties filed an amendment to the Original Stipulation that included Revised Exhibits A and B, which incorporates the updated regulatory fee amount. The Original Stipulation, as amended, is hereinafter referred to as the "Amended Stipulation". On that same day, the Public Staff filed Revised Settlement Exhibit A to the Settlement Testimony of Public Staff witness Sonja R. Johnson.

On August 29, 2022, the Stipulating Parties filed a Joint Proposed Order.

Based upon the verified Application, the testimony and exhibits received into evidence, the Amended Stipulation, and the record as a whole, the Commission makes the following:

FINDINGS OF FACT

1. Cardinal is a limited liability company formed under the North Carolina Limited Liability Company Act. The members of Cardinal are PSNC Cardinal Pipeline Company, a wholly owned subsidiary of PSNC; Piedmont Intrastate Pipeline Company, a wholly owned subsidiary of Piedmont; and TransCardinal Company, LLC, a wholly owned subsidiary of Williams Partners Operating LLC. Cardinal's principal place of business is located at the offices of its operator, Cardinal Operating Company, LLC, at 2800 Post Oak Boulevard, Houston, Texas.

2. Cardinal is a public utility within the meaning of N.C. Gen. Stat. § 62-3(23).

3. The Commission has jurisdiction over, among other things, the rates and charges, rate schedules, classifications, and practices of public utilities, including Cardinal.

4. In the Sub 47 Rate Case Application Docket, Cardinal sought a general increase in its rates and charges in the amount of \$919,530 per year. Cardinal also requested authority to defer certain pipeline integrity management costs for proposed future collection and to implement new depreciation rates as proposed in the 2021 Depreciation Rate Study in the Sub 46 Docket.

5. Cardinal is properly before the Commission for a determination of the justness and reasonableness of its rates and charges, rate schedules,

classifications and practices as regulated by the Commission under Chapter 62 of the General Statutes of North Carolina.

6. The Amended Stipulation executed by Cardinal, the Public Staff, Piedmont, and PSNC is unopposed by any party. The Amended Stipulation settles all matters in the consolidated Sub 46 Docket and Sub 47 Rate Case Docket.

7. The appropriate test period for use in this proceeding is the twelve months ended December 31, 2021, adjusted for certain known and measurable changes through March 31, 2022.

8. The Amended Stipulation provides for a decrease of \$203,590 in annual revenues for the Company, which is just and reasonable and appropriate for use in this docket.

9. The original cost of Cardinal's property used and useful, or to be used and useful within a reasonable time after the test period, in providing natural gas utility service to the public within North Carolina, less that portion of the cost that has been consumed by depreciation expense, in the amount of \$56,365,846, as described and set forth in Paragraph 3 and Revised Exhibit A of the Amended Stipulation, is just and reasonable and appropriate for use in this docket.

10. Cardinal's total annual cost of service and revenue requirement, as set forth in Paragraphs 4 and 5 and Revised Exhibit A of the Amended Stipulation, are just and reasonable and appropriate for use in this docket.

11. The depreciation rates set forth in the 2021 Depreciation Rate Study filed in the Sub 46 Docket, as modified by adjustments to the depreciation and negative salvage rates recommended by Public Staff witness McCullar, resulting in an updated annualized depreciation expense amount of \$4,060,108, are just and reasonable and appropriate for use in this docket.

12. The Company's operating expenses, including actual investment currently consumed through reasonable actual depreciation, as set forth in Paragraph 4 and Revised Exhibit A of the Amended Stipulation, are just and reasonable and appropriate for use in this docket.

13. The hypothetical capital structure consisting of 51.96% common equity and 48.04% debt, with a debt cost rate of 4.96%, as set forth in Paragraph 4.D and on Revised Exhibit A of the Amended Stipulation, are just and reasonable and appropriate for use in this docket.

14. The rate of return on common equity of 9.55%, as set forth in Paragraph 4.E and on Revised Exhibit A of the Amended Stipulation is consistent with the requirements of N.C.G.S. § 62-133 in light of changing economic conditions; and is just and reasonable and appropriate for use in this docket. The application of the stipulated capital structure and the cost rates of debt and common equity produced an overall rate of return of 7.34% as set forth in Paragraph 4.F and on Revised Exhibit A of the Amended Stipulation.

15. The North Carolina state corporate income tax rate of 2.5% and the federal income tax rate of 21%, the composite state and federal income tax rate of

22.975%, and the calculation of income taxes based on the overall return amount (less the interest and debt component), all as set forth in Paragraph 4.H of the Amended Stipulation, are just and reasonable and appropriate for use in determining income taxes in this docket.

16. The rates set forth on Revised Exhibit B of the Amended Stipulation are just and reasonable and appropriate for use in this docket.

17. The allocation methodology employed by the Company in determining the cost of service applicable to each zone, as shown on Revised Exhibit A of the Amended Stipulation and as applied to the specific rates shown on Revised Exhibit B of the Amended Stipulation, is just and reasonable and appropriate for use in this docket.

18. The zonal allocation factors, as set forth in Revised Exhibit A of the Amended Stipulation, are just and reasonable and appropriate for use in this docket.

19. The amortization of the unamortized balance of Excess Deferred Income Taxes (EDIT) regulatory liability in the amount of \$13,737,017 as of December 31, 2021, using the Reverse South Georgia method over an average remaining life of 26.49 years, for a total regulatory liability annual amortization of \$518,652, all as set forth in Paragraph 7.B of the Amended Stipulation, is just and reasonable and appropriate for use in this docket.

20. The continuation of the amortization of the EDIT associated with the North Carolina corporate income tax changes over a 5-year period starting in 2017,

as provided in Paragraph 5 of the Joint Stipulation approved by the Commission on July 27, 2017 in Docket No. G-39, Sub 38 (Sub 38 Joint Stipulation), including the provisions to accomplish the complete flow back of that EDIT while not over- or under- amortizing that amount, all as set forth in Paragraph 7.C of the Amended Stipulation, is just and reasonable and appropriate for use in this docket.

21. The regulatory fee amount calculated based on the total revenue requirement determined in this proceeding, at a rate of 0.14%, resulting in a regulatory fee expense is \$16,122 and total Taxes Other Than Income Taxes is \$539,991, is just and reasonable and appropriate for use in determining the regulatory fee expense in this docket.

22. The Company's operating and maintenance (O&M) expenses, as set forth in Paragraph 9 and Revised Exhibit A of the Amended Stipulation, are just and reasonable and appropriate for use in this docket.

23. The annual billing determinants for Cardinal's Zones 1A, 1B, and 2, as reflected on Exhibit KM-002, Statement I-2 of Cardinal's Sub 47 Rate Case Application for those zones, are just and reasonable and appropriate for use in this docket.

24. The use of an AFUDC rate of 7.34% effective with the date of the rates approved in this proceeding, as set forth in Paragraphs 4.F and 7 of the Amended Stipulation, is just and reasonable and appropriate for use in this docket.

25. The amortization of an annual amount of \$82,411 for pipeline integrity O&M expenses incurred during Cardinal's 2018 assessment, and the

deferral of certain pipeline integrity O&M expenses, is just and reasonable and should be approved and implemented as described in Paragraph 12 of the Amended Stipulation.

26. The proposal to allow Cardinal to seek Commission authorization to defer and amortize cybersecurity-related costs, as set forth in Paragraph 13 of the Amended Stipulation, is reasonable and appropriate and should be approved.

27. Cardinal's agreement to file its next general rate case no later than March 15, 2027, and to provide the Stipulating Parties, one month prior to the filing date, with a rough outline of the rate case, including the period selected as the test year for the rate case, and the Stipulating Parties agreement not to initiate a show cause proceeding relating to Cardinal's rates and charges before its next rate case proceeding, as provided in Paragraph 14 of the Amended Stipulation, is just and reasonable and should be approved.

28. All of the provisions of the Amended Stipulation are just and reasonable under the circumstances of this proceeding and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-5

The evidence supporting these findings of fact is contained in Cardinal's verified Application, the testimony and exhibits of the Company's witnesses, the NCUC Form G-1 that was filed with the Application, the provisions of Chapter 62 of the General Statutes, and the Commission's records as a whole. These findings are primarily jurisdictional and are not contested by any party.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 6

This finding is supported by the Original Stipulation, the Amended Stipulation, and representations made by Cardinal, the Public Staff, Piedmont, and PSNC at the hearing of this matter.

The Original Stipulation recites that it was filed on behalf of Cardinal, the Public Staff, and Piedmont. PSNC notified the Commission that had joined the Original Stipulation and is now a Stipulating Party in these consolidated proceedings. The Original Stipulation provides that it represents a settlement of all the issues in the proceeding.

All four Stipulating Parties executed the amendment to the Original Stipulation. The Amended Stipulation represents a settlement of all issues to this proceeding. This finding is not contested by any party.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 7

Cardinal filed its application and exhibits using a test period of the twelve months ended December 31, 2021. The Amended Stipulation is based upon the test period utilized by Cardinal, adjusted for certain known and measurable changes through March 31, 2022. This test period was not contested by any party.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 8

This finding is supported by the Application, the testimony and exhibits of Company witness Miller, the testimony and exhibits of the Public Staff's witness Johnson, and the Amended Stipulation.

Miller Exhibit KM-002, Schedule 8, Page 1 indicates that Cardinal filed for an annual revenue increase of \$919,530. The Amended Stipulation in Paragraph 4.A indicates that the Stipulating Parties agree to a total annual cost of service and revenue requirement for Cardinal of \$11,515,775, which represents a (\$203,590) decrease from the total annual cost of service and revenue requirement as of March 31, 2022, the end of the updated test period. The amounts set forth in Paragraph 4.A of the Amended Stipulation are the result of negotiations among the parties and are not opposed by any party.

The Commission has carefully reviewed these amounts and concludes that they are just and reasonable and appropriate for use in this docket and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 9

The evidence supporting this finding of fact is contained in Cardinal's verified Application, the testimony and exhibits of the Company's witnesses, the testimony and exhibits of the Public Staff's witnesses, and the Amended Stipulation.

The reasonable original cost of Cardinal's property used and useful, or to be used and useful within a reasonable time after the test period, in providing natural gas utility service to the public within North Carolina, less that portion of the cost that has been consumed by depreciation expense, is described, and set forth in Paragraph 3 and Revised Exhibit A of the Amended Stipulation. Cardinal's original cost rate base used and useful in providing service in North Carolina of

\$56,365,846, consisting of gas plant-in-service of \$156,592,986 and working capital of \$357,899 reduced by accumulated depreciation of \$74,320,708 and accumulated deferred income taxes of \$26,264,333, is the result of negotiations among the parties and is not opposed by any party.

The Commission has carefully reviewed the above amounts and concludes that they are just and reasonable and appropriate for use in this docket and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 10

The evidence supporting this finding of fact is contained in Cardinal's verified Application, the testimony and exhibits of the Company's witnesses, the testimony and exhibits of the Public Staff's witnesses, and the Amended Stipulation.

The total annual cost of service and revenue requirement under Cardinal's stipulated proposed rates are set forth in Paragraphs 4 and 5 and Revised Exhibit A of the Amended Stipulation. The amounts shown on Revised Exhibit A of the Amended Stipulation are the result of negotiations among the parties and are not opposed by any party.

The Commission has carefully reviewed these amounts and concludes that they are just and reasonable and appropriate for use in this docket and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 11

This finding is supported by the Application, the testimony and exhibits of Company witnesses Miller and Fall, the direct testimony and exhibits of Public Staff witness McCullar, the 2021 Depreciation Rate Study filed in the Sub 46 Docket, and the Amended Stipulation. As set forth in Paragraph 6 of the Amended Stipulation, the Stipulating Parties have incorporated these depreciation rates into the annual cost of service contained in the Amended Stipulation, resulting in an updated annualized depreciation expense amount of \$4,060,108. These depreciation rates are the result of negotiations among the parties and are not opposed by any party.

The Commission has carefully reviewed these amounts and concludes that these depreciation rates are just and reasonable and appropriate for use in this docket and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 12

The evidence supporting this finding of fact is contained in Cardinal's verified Application, the testimony and exhibits of the Company's witnesses, the testimony and exhibits of the Public Staff's witnesses, and the Amended Stipulation. Cardinal's reasonable operating expenses, including actual investment currently consumed through reasonable actual depreciation, are set forth in Revised Exhibit A of the Amended Stipulation. The amounts shown on Revised Exhibit A of the Amended Stipulation are the result of negotiations among the parties and are not opposed by any party.

The Commission has carefully reviewed these amounts and concludes that they are just and reasonable and appropriate for use in this docket and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 13

The evidence supporting this finding of fact is contained in the testimony and exhibits of Cardinal's witness Haag, the testimony and exhibits of Public Staff witness Hinton, and the Amended Stipulation. The hypothetical capital structure and debt cost for Cardinal are set forth in Revised Exhibit A of the Amended Stipulation. The settled cost of debt of 4.96% is discussed in the Settlement Testimony of Public Staff witness Hinton. The settled cost of debt rate is based on a 135-basis point spread, which is added to the June 14, 2022 yield on five-year treasury bonds of 3.61%. The capital structure is reflective of approved common equity ratios for general rate cases involving local natural gas distribution utilities approved from January 1, 2000 through March 31, 2022. Thus, this capital structure is reflective of current market conditions. The percentage of common equity in the hypothetical capital structure is also similar to recently NCUC-approved common equity ratios in various natural gas and electric utility general rate cases. The common equity and debt ratios shown on Revised Exhibit A of the Amended Stipulation are the result of negotiations among the parties and are not opposed by any party.

The Commission has carefully reviewed the hypothetical capital structure and debt cost and concludes that they are just and reasonable and appropriate for use in this docket and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 14

The evidence supporting this finding of fact is contained in the testimony and exhibits of Cardinal's witness Haag, the testimony and exhibits of Public Staff witness Hinton, and the Amended Stipulation. The agreed upon 9.55% ROE falls below Company witness Haag's average Discounted Cash Flow and Capital Asset Pricing Model estimates, but the rate is within Public Staff witness Hinton's range of cost rates for common equity of 9.28% to 9.64%. The amount shown on Revised Exhibit A of the Amended Stipulation is the result of negotiations among the parties and is not opposed by any party.

Pursuant to State ex rel. Utils. Comm'n v. Cooper, 366 N.C. 484, 739 S.E.2d 541 (2013), the Commission must evaluate the impact of changing economic conditions on Cardinal's customers. In this case, Public Staff witness Hinton reviewed income and unemployment data and determined that the overall economic conditions have improved from the height of the pandemic and that the stipulated 9.55% ROE is not unduly burdensome. Based upon Public Staff witness Hinton's testimony, and after weighing and balancing factors affected by the changing economic conditions, the Commission concludes that the stipulated rate of return on equity of 9.55% will not cause undue hardship to customers.

The Commission has carefully reviewed the 9.55% rate of return on equity and concludes that it is just and reasonable and appropriate for use in this docket and should be approved. The application of the stipulated capital structure, the cost rate for debt, and the rate of return on common equity produced an overall rate of return of 7.34% which is just and reasonable and appropriate for use in this docket.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 15

The evidence supporting this finding of fact is contained in the Application, the testimony and exhibits of Company witnesses Miller and Cousino, and Paragraph 4.H of the Amended Stipulation. The Stipulating Parties agreed that income taxes should be determined using the North Carolina state corporate income tax rate of 2.5% and the federal income tax rate of 21%, as set forth in Paragraph 4.H. Income taxes calculated according to Paragraph 4.H as set forth on Revised Exhibit A of the Amended Stipulation, are reasonable and appropriate for use in this docket. These amounts are not opposed by any party.

The Commission has carefully reviewed these amounts and concludes that they are just and reasonable and appropriate for use in this docket and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 16

The evidence supporting this finding of fact is contained in Cardinal's verified Application, the testimony and exhibits of the Company's witnesses, the

testimony and exhibits of the Public Staff's witnesses, and Paragraph 4.I and Revised Exhibit B of the Amended Stipulation.

The rates reflected on Revised Exhibit B of the Amended Stipulation are the result of negotiations among all of the parties to this proceeding and are not opposed by any party. The Commission has carefully reviewed these rates and concludes that they are just and reasonable and appropriate for all customer classes for use in this docket and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 17-18

The evidence supporting these findings of fact are contained in Cardinal's verified Application, the testimony and exhibits of the Company's witnesses, the testimony and exhibits of the Public Staff's witnesses, and Paragraphs 5.A and 5.B and Revised Exhibits A and B of the Amended Stipulation. The Stipulating Parties agreed to the allocation methodology employed by the Company in determining the cost of service applicable to each zone as shown on Revised Exhibit A and the specific rates as shown on Revised Exhibit B. The Stipulating Parties also agreed to the zonal allocation factors shown on Revised Exhibit A of the Amended Stipulation, which are the result of negotiations among the parties. No party opposes these findings.

The Commission has carefully reviewed these amounts and concludes that they are just and reasonable and appropriate for use in this docket and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 19

The evidence supporting this finding of fact is contained in Cardinal's verified Application, the testimony and exhibits of the Company's witnesses, the testimony and exhibits of the Public Staff's witnesses, and Paragraph 7.B of the Amended Stipulation.

The Stipulating Parties agreed that the unamortized balance of EDIT as of December 31, 2021, is \$13,737,017, and is comprised of two regulatory liabilities: (1) EDIT as a result of the decrease in the Federal Corporate Income Tax Rate from the Tax Cut and Jobs Act of 2017, and (2) EDIT as a result of the decrease in the North Carolina State Corporate Income Tax Rate from 3% to 2.5% for taxable years beginning on or after January 1, 2019.

The Stipulating Parties also agreed that using the Reverse South Georgia method using updated Depreciable Plant and Reserve from the Company's March 31, 2022, update results in an Average Remaining Life of 26.49 years and a total annual amortization of the two regulatory liabilities of \$518,652.

The Stipulating Parties further agreed that if any aspect of the amortization of the EDIT as provided in Paragraph 7.B of the Amended Stipulation (and approved by the Commission pursuant to its approval of the Amended Stipulation) is found to be in violation of tax normalization principles set forth in the Internal Revenue Code (IRC) and applicable Treasury Regulations thereunder such that Cardinal would be precluded from the full use of accelerated depreciation, Cardinal shall have the right to immediately modify, on a provisional basis and subject to

later approval by the Commission, its accounting and rates for amortization of EDIT, as and to the extent necessary to maintain compliance with the tax normalization principles of the IRC and applicable Treasury Regulations thereunder and, thus, to remain eligible to use accelerated depreciation without interruption. Cardinal shall then expeditiously apply to the Commission for approval of the accounting and rate modifications. The Stipulating Parties recommended that the Commission include these provisions in its Order approving the Amended Stipulation in this proceeding and indicate that this protection will continue to be in effect after the termination of the Docket No. G-39, Subs 46 and 47 rate period and in future rate periods until the two regulatory liabilities are fully amortized.

The Commission has carefully reviewed the provisions of the Amended Stipulation relating to the amortization of EDIT, as set forth in Paragraph 7.B of the Amended Stipulation, and concludes that the proposal is reasonable and appropriate and should be approved and implemented as described in Paragraph 7.B of the Amended Stipulation. In that regard, the Commission expressly approves of the provisions of Paragraph 7.B setting forth the procedures and protections addressing the preservation of Cardinal's compliance with tax normalization principles and its ability to remain eligible to use accelerated depreciation, and concludes that this protection will continue to be in effect after the termination of the Docket No. G-39, Subs 46 and 47 rate period and in future rate periods until the two regulatory liabilities are fully amortized.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 20

The evidence supporting this finding of fact is contained in Cardinal's verified Application, the testimony and exhibits of the Company's witnesses, and Paragraph 7.C of the Amended Stipulation.

As provided in Paragraph 7.C of the Amended Stipulation, the Stipulating Parties agreed to continue the amortization of the EDIT associated with the North Carolina corporate income tax changes over a 5-year period starting in 2017, as proposed in Paragraph 5 of the Sub 38 Joint Stipulation approved by the Commission on July 27, 2017, in Docket No. G-39, Sub 38 (Sub 38 Order). However, in order to accomplish the complete flow back of that EDIT while not over- or under-amortizing that amount agreed to, and approved, in the Sub 38 Order, the Stipulating Parties agreed that Cardinal will, within 30 days of the effective date of rates in this proceeding, refund to its shippers the applicable amount of the unamortized EDIT balance in accordance with the schedule shown in Exhibit C to the Amended Stipulation. If the effective date of rates in this proceeding is on or after September 1, 2022, Cardinal will establish a regulatory asset for the applicable amount of over-amortized EDIT, and defer collection, without carrying costs, to Cardinal's next general rate proceeding.

The Commission has carefully reviewed the proposal set forth in Paragraph 7.C of the Amended Stipulation and concludes that the proposal is reasonable and appropriate and should be approved and implemented as described in Paragraph 7.C of the Amended Stipulation.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 21

The evidence supporting this finding of fact is contained in Cardinal's verified Application, the testimony and exhibits of Company witness Miller, the testimony and exhibits of Public Staff witness Johnson, including the Public Staff's late-filed Exhibit relating to the calculation of the regulatory fee, and in Paragraph 8 and Revised Exhibit A of the Amended Stipulation. The taxes other than income (Property Taxes) and regulatory fee are not opposed by any party.

The Commission has carefully reviewed these amounts and concludes that they are just and reasonable and appropriate for use in this docket and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 22

The evidence supporting this finding of fact is contained in the Application, the testimony and exhibits of Company witness Miller, the testimony and exhibits of Public Staff witness Johnson, and the Amended Stipulation.

The O&M expense is set forth in Paragraph 9 and Revised Exhibit A of the Amended Stipulation. The O&M expense amount is the result of negotiations among the parties and is not opposed by any party.

The Commission has carefully reviewed this amount and concludes that it is just and reasonable and appropriate for use in this docket and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 23

The evidence supporting this finding of fact is contained in the Application, the testimony and exhibits of Company witness Miller, and Paragraph 10 of the Amended Stipulation. The Stipulating Parties have agreed to the annual billing determinants for Cardinal's Zones 1A, 1B, and 2, as reflected on Exhibit KM-002, Statement I-2 of Cardinal's Sub 47 Rate Case Application for those zones. No party opposes these findings.

The Commission has carefully reviewed these amounts and concludes that they are just and reasonable and appropriate for use in this docket and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 24

The support for this finding is contained in Paragraphs 4.F and 7 of the Amended Stipulation. The Stipulating Parties agreed to the Company's use of an AFUDC rate of 7.34%, effective with the date of the rates approved in this proceeding. No party objects to this proposal.

The Commission has carefully reviewed this proposal and concludes that it is just and reasonable and appropriate for use in this docket and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 25

The support for this finding of fact is contained in Paragraph 12 of the Amended Stipulation. As provided by Paragraph 8 of the Sub 38 Joint Stipulation,

the Stipulating Parties agree on an annual amortization of \$82,411 for pipeline integrity O&M expenses incurred during Cardinal's 2018 assessment. In addition, the Stipulating Parties agree to Cardinal's request to defer certain pipeline integrity O&M expenses. The Stipulating Parties also agree that: Cardinal should be allowed to defer pipeline assessment costs for amounts paid for services provided by independent contractors and outside consultants that are necessary (1) for compliance with the United States Department of Transportation regulations and (2) to ensure the safety and integrity of the Cardinal pipeline. The Stipulating Parties also agree that authorization to defer the pipeline integrity costs will remain in effect through the effective date of rates in Cardinal's next general rate case. The Stipulating Parties further agree that consistent with prior Commission orders, Cardinal will not defer internal payroll costs or other internal O&M expenses. No party objects to Cardinal's request for deferral of its pipeline integrity O&M expenses and the future treatment of these expenses in the manner proposed in the Amended Stipulation.

The Commission has carefully reviewed the Company's request for deferral of certain pipeline integrity O&M expenses and concludes that the proposal is reasonable and appropriate and should be approved and implemented as described in Paragraph 12 of the Amended Stipulation.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 26

The evidence supporting this finding of fact is contained in the Application, the testimony of Company witness Miller, the testimony of Public Staff witnesses Patel and Johnson, and Paragraph 13 of the Amended Stipulation.

As set forth in Paragraph 13 of the Amended Stipulation, the Stipulating Parties agreed that since anticipated cybersecurity expenses are not measurable at this time to any degree of certainty, and thus cannot currently be evaluated as to whether their final amount would justify deferral, it would be premature to consider approval in the Amended Stipulation of Cardinal's proposal for deferral. The Stipulating Parties agreed that if Cardinal still wishes to defer these costs once they are actually incurred and are measurable, it should, within six months of the implementation of the new cybersecurity mitigation measures or in the Company's next general rate case following the implementation, whichever comes first, apply for authorization to defer and amortize the cybersecurity-related costs. Additionally, amortization of these costs shall begin, if approved, immediately upon the incurrence of the costs (unless the Commission finds, in its discretion, that the costs are too significant to begin amortization before future rates are approved). In the following general rate case, rates shall be based on the amount remaining to be amortized at that time. The Stipulating Parties also agreed that the Commission find that in order to be deferred, the costs must meet the two-prong test (extraordinariness and magnitude) sometimes applied by the Commission in its evaluation of deferral requests, or such other criteria that the Commission may find appropriate and reasonable at the time.

The Commission has carefully reviewed the provisions of Paragraph 13 regarding the deferral of cybersecurity-related costs and concludes that the proposal is reasonable and appropriate and should be approved and implemented as described in Paragraph 13 of the Amended Stipulation.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 27

Consistent with Paragraph 14 of the Amended Stipulation, Cardinal agrees to file its next general rate case no later than March 15, 2027. Cardinal also agrees to provide the Public Staff, PSNC, and Piedmont, one month prior to the filing date, a rough outline of the rate case, including the period selected as the test year for the rate case. Consistent with the Amended Stipulation, the Stipulating Parties agree not to initiate a show cause proceeding relating to Cardinal's rates and charges before its next general rate case filing. The Stipulating Parties further agree, however, that they are not constrained in any way in their ability to seek changes to or make filings with the Commission, including complaint proceedings, regarding Cardinal's terms and conditions of service or operating practices as a consequence of the foregoing show cause moratorium. These findings are not contested by any party.

The Commission has carefully reviewed this proposal and concludes that it is just and reasonable in this docket and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 28

For the reasons set forth in the foregoing paragraphs, the Commission concludes that the Amended Stipulation provides a just and reasonable resolution

of all the issues in this case, will allow Cardinal an opportunity to recover its reasonable operating expenses and earn a fair return on its rate base under prudent management, and provides just and reasonable rates to all customer classes. Therefore, the Commission finds and concludes that all of the provisions of the Amended Stipulation, taken together, are just and reasonable under the circumstances of this proceeding and should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That the Amended Stipulation is incorporated by reference herein and hereby approved in its entirety.

2. That Cardinal is hereby authorized to adjust its rates and charges in accordance with Revised Exhibit B of the Amended Stipulation effective for service rendered on and after the first day of the first month following the date of this order.

3. That Cardinal shall file rates to comply with ordering Paragraph No. 2 of this order within ten (10) days from the date of this order.

4. That the rates contained in the 2021 Depreciation Rate Study filed by Cardinal in the Sub 46 Docket, as adjusted in accordance with the Amended Stipulation, are approved.

5. That Cardinal shall file its next general rate case no later than March 15, 2027, and shall also provide the Public Staff, PSNC, and Piedmont with a rough outline of the rate case, including the period selected as the test year for the rate case, one month prior to the filing date.

ISSUED BY ORDER OF THE COMMISSION.

This the ___th day of _____, 2022.

NORTH CAROLINA UTILITIES COMMISSION