



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

August 26, 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, Subs 46 and 47- Public Staff Late-Filed Exhibit 2

Dear Ms. Dunston:

During the questioning of Public Staff witness Sonja R. Johnson at the evidentiary hearing held on July 11, 2022, in the above-referenced rate case docket filed by Cardinal Pipeline Company, LLC (Cardinal or Company), Presiding Commissioner Karen Kemerait noted that the Public Staff's prefiled depreciation exhibits, which were agreed to by all parties, assumed that there would be a 2050 end-of-life depreciation period. Commissioner Kemerait requested that witness Johnson provide as a late-filed exhibit an analysis of what depreciation rates would be if a 2050 end-of-life period had not been used. Pursuant to Commissioner Kemerait's request, I transmit herewith for filing on behalf of the Public Staff, Johnson Late-Filed Exhibit 2, which is a schedule that provides the requested comparison.

To add additional context to the Public Staff's decision to accept the Company's filed 2050 end-of-life depreciation period, the Public Staff, as part of its investigation of the revenues, expenses, and rate base presented by the Company in support of its request for revenue requirement increase, thoroughly examined Cardinal's 2020 Depreciation Study filed pursuant to North Carolina Utilities Commission (Commission) Rule R6-80 on October 26, 2021 in Docket No. G-39, Sub 46 (Sub 46 Depreciation Study), as well as the Company's previous depreciation studies filed in the past 10 years. The Public Staff determined that

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

Ms. A. Shonta Dunston, Chief Clerk
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there were no significant changes in assumptions used in the Sub 46 Depreciation Study filing and, therefore, had no issues with the assumptions used to determine the rates or the assumed useful lives recommended in the present rate case proceeding.

Under the Federal Energy Regulatory Commission definition of “depreciation,” which is essentially the same as that employed by the National Association of Regulatory Utility Commissioners, the determination of the loss in service value of facilities gives consideration to “...wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, *changes in demand and requirements of public authorities*, and in the case of natural gas companies, the exhaustion of natural resources.” 18 C.F.R. Part 201, Definitions, 12.B (2020) (emphasis added). The Sub 46 Depreciation Study and each of the Company’s previous depreciation studies considered, among other things, the impact of future conditions, including “changes in demand and requirements of public authorities,” on the service values of the Company’s facilities.

In addition, Commission Rule R6-80 requires that Cardinal submit a depreciation study for Commission approval every five years. Accordingly, Cardinal will be required to file its next depreciation study in late 2026. The most current information, including that related to remaining economic life, will be assessed at that time to develop Cardinal’s depreciation expense.

The focus on the 2050 termination date in the Sub 46 Depreciation Study was simply to reflect consideration of changes in the natural gas industry and the potential impact to the Company. The Public Staff will reevaluate the Company’s depreciation rates upon its next required filing in 2026.

By copy of this letter, I am forwarding a copy of the above to all parties of record.

Sincerely yours,

Electronically submitted

/s/ Gina C. Holt

Manager, Legal Division, Natural Gas,
Water, Sewer, Telephone and
Transportation Sections

gina.holt@psncuc.nc.gov

Enclosure

JOHNSON LATE-FILED EXHIBIT 2

**Cardinal Pipeline Company, LLC
Summary of Depreciation Rates and Annual Accrual Amounts
As of December 31, 2020**

Account	Description	Current Approved		Cardinal Pipeline Proposed			Public Staff Proposed		Difference		
		12/31/20 Investment	Total Rate	Accrual Amount	Total Rate	Accrual Amount	Difference from Current	Total Rate	Accrual Amount	Difference from Current	Difference from Company Proposed
Intangible Plant											
302.00	Intangible Plant - Franchises	176,783	4.00%	7,071	0.55%	972	(6,099)	0.56%	990	(6,081)	18
303.00	Misc. Intangible Plant	898,093	2.19%	19,668	1.57%	14,100	(5,568)	1.64%	14,729	(4,940)	629
	Subtotal Intangible Plant	1,074,876	2.49%	26,740	1.40%	15,072	(11,667)	1.46%	15,719	(11,021)	646
Transmission Plant											
365.11	Land	658,661	0.00%	0	0.00%	0	0	0.00%	0	0	0
365.12	Land Rights	96,745	2.00%	1,935	1.93%	1,867	(68)	1.91%	1,848	(87)	(19)
365.20	Rights of Way	4,011,679	2.00%	80,234	1.97%	79,030	(1,204)	1.99%	79,832	(401)	802
366.10	Compressor Station S & I	2,673,056	3.00%	80,192	3.51%	93,824	13,633	3.49%	93,290	13,098	(535)
366.20	M & R Station S & I	1,428,304	2.63%	37,564	2.85%	40,707	3,142	2.87%	40,992	3,428	286
367.00	Mains	100,830,092	2.20%	2,218,262	2.50%	2,520,752	302,490	2.51%	2,530,835	312,573	10,083
368.00	Compressor Station Equipment	35,393,767	3.03%	1,072,431	2.94%	1,040,577	(31,854)	2.92%	1,033,498	(38,933)	(7,079)
369.00	Meas & Reg Station Equipment	8,764,591	3.18%	278,714	2.49%	218,238	(60,476)	2.54%	222,621	(56,093)	4,382
	Subtotal Transmission	153,856,895	2.45%	3,769,332	2.60%	3,994,996	225,664	2.60%	4,002,916	233,584	7,921
General Plant											
390.00	Struct. & Impr. - Office Bldg										
	Fully Accrued	5,269	0.00%	0	0.00%	0		0.00%	0		
	Amortized	0	0.00%	0	10.00%	0		10.00%	0		
	Total Struct. & Impr. - Office Bldg	5,269		0	0.00%	0	0	0.00%	0	0	0
391.00	Office Furniture & Equipment										
	OFF001- Tower Office Furniture & Equip	32,228	8.33%	2,685	10.00%	3,223	538	10.00%	3,223	538	0
	DPC001-Data Process & Comp. Equip.	0	25.00%	0	12.50%	0	0	12.50%	0	0	0
	DEV001-Developed Software										
	Fully Accrued	843,871	0.00%	0	0.00%	0		0.00%	0		
	Amortized	113,252	7.69%	8,709	6.67%	7,550		6.67%	7,550		
	DEV001-Developed Software	957,123	0.91%	8,709	0.79%	7,550	(1,159)	0.79%	7,550	(1,159)	0
392.10	Transportation Equipment										
	Fully Accrued	3,761	0.00%	0	0.00%	0		0.00%	0		
	Amortized	0	18.00%	0	16.67%	0		16.67%	0		
	Transportation Equipment	3,761	0.00%	0	0.00%	0	0	0.00%	0	0	0
394.00	Tools Shop & Garage Equipment	565,711	8.33%	47,124	5.00%	28,286	(18,838)	5.00%	28,286	(18,838)	0
396.00	Power Operated Equipment										
	Fully Accrued	10,649	0.00%	0	0.00%	0		0.00%	0		
	Amortized	31,910	7.92%	2,527	10.00%	3,191		10.00%	3,191		
	Power Operated Equipment	42,559	5.94%	2,527	7.50%	3,191	664	7.50%	3,191	664	0
397.00	Communication Equipment										
	Fully Accrued	142,401	0.00%	0	0.00%	0		0.00%	0		
	Amortized	31,632	7.14%	2,259	4.35%	1,375		4.35%	1,375		
	Communication Equipment	174,033	1.30%	2,259	0.79%	1,375	(883)	0.79%	1,375	(883)	0
	Subtotal General Plant	1,780,683	3.55%	63,303	2.45%	43,625	(19,678)	2.45%	43,625	(19,678)	0
	Total	156,712,455	2.46%	3,859,374	2.59%	4,053,693	194,318	2.59%	4,062,260	202,885	8,567

Cardinal Pipeline Company, LLC
 Calculation of Depreciation Rates
 As of December 31, 2020

JOHNSON LATE-FILED EXHIBIT 2

Account	Description	12/31/20 Investment	12/31/20 Book Reserve	12/31/20		Net Plant to be Recovered	Rem. Life	Annual Accrual	Annual Rate	Investment Only		COR Only	
				Book Future Negative Net Reserve	Estimated Future Negative Net Salvage					Annual Rate	Annual Accrual	Annual Rate	Annual Accrual
A													
Intangible Plant													
302.00	Intangible Plant - Franchises	176,783	(149,054)	0		27,729	64.3	431	0.24%	0.24%	431		
303.00	Misc. Intangible Plant	898,093	(509,204)	(6,257)		382,632	40.6	9,424	1.05%	1.05%	9,424		
	Subtotal Intangible Plant	1,074,876	(658,258)	(6,257)	0	410,362		9,856	0.92%	0.92%	9,856	0.00%	0
Transmission Plant													
365.11	Land	658,661	0	0		658,661	0.0	0	0.00%	0.00%	0	0.00%	0
365.12	Land Rights	96,745	(48,210)	0		48,535	46.5	1,044	1.08%	1.08%	1,044	0.00%	0
365.20	Rights of Way	4,011,679	(1,990,158)	0	79,756	2,101,277	46.6	45,092	1.12%	1.08%	43,380	0.04%	1,711
366.10	Compressor Station S & I	2,673,056	(599,867)	(13,722)	339,294	2,398,761	37.5	63,967	2.39%	2.07%	55,285	0.32%	8,682
366.20	M & R Station S & I	1,428,304	(537,455)	(6,808)	95,416	979,457	31.8	30,801	2.16%	1.96%	28,014	0.20%	2,786
367.00	Mains	100,830,092	(50,908,281)	(1,008,248)	22,728,998	71,642,561	53.7	1,334,126	1.32%	0.92%	929,643	0.40%	404,483
368.00	Compressor Station Equipment	35,393,767	(8,859,071)	1,874	3,053,647	29,590,217	76.7	385,792	1.09%	0.98%	345,954	0.11%	39,837
369.00	Meas & Reg Station Equipment	8,764,591	(3,674,653)	11,623	858,746	5,960,308	44.4	134,241	1.53%	1.31%	114,638	0.22%	19,603
	Subtotal Transmission	153,856,895	(66,617,694)	(1,015,281)	27,155,857	113,379,778		1,995,062	1.30%	0.99%	1,517,958	0.31%	477,103
General Plant													
390.00	Struct. & Impr. - Office Bldg												
	Fully Accrued	5,269	(5,269)					0	0.00%				
	Amortized	0						0	10.00%				
	Struct. & Impr. - Office Bldg	5,269	(5,269)					0	0.00%				
391.00	Office Furniture & Equipment												
	OFF001- Tower Office Furniture & Equip	32,228	(32,228)					3,223	10.00%				
	DPC001-Data Process & Comp. Equip.	0	0					0	12.50%				
	DEV001-Developed Software												
	Fully Accrued	843,871	(843,871)					0	0.00%				
	Amortized	113,252	(58,237)					7,550	6.67%				
	DEV001-Developed Software	957,123	(902,108)					7,550	0.79%				
392.10	Transportation Equipment												
	Fully Accrued	3,761	(3,761)					0	0.00%				
	Amortized	0	0					0	16.67%				
	Transportation Equipment	3,761	(3,761)					0	0.00%				
394.00	Tools Shop & Garage Equipment	565,711	(345,372)					28,286	5.00%				
396.00	Power Operated Equipment												
	Fully Accrued	10,649	(10,649)					0	0.00%				
	Amortized	31,910	(25,015)					3,191	10.00%				
	Power Operated Equipment	42,559	(35,664)					3,191	7.50%				
397.00	Communication Equipment												
	Fully Accrued	10,649	(10,649)					0	0.00%				
	Amortized	31,910	(25,015)					1,387	4.35%				
	Communication Equipment	42,559	(35,664)					1,387	3.26%				
	Subtotal General Plant	1,606,650	(1,324,402)			0		42,250	2.63%	0.00%	0	0.00%	0
Total		156,580,980	(68,636,018)	(1,021,537)	27,155,857	113,790,139		2,048,554	1.31%	0.98%	1,527,814	0.30%	477,103

Cardinal Pipeline Company, LLC
 Current and Proposed Parameters
 As of December 31, 2020

Account	Description	Current Approved		Cardinal Pipeline Proposed				Public Staff Proposed				Without the Assumed 2050 Retirement Year						
		Iowa		Iowa		Iowa		Iowa		Iowa		Iowa		Iowa				
		Proj	Curve	Proj	Curve	Rem.	Net	Proj	Curve	Rem.	Net	Proj	Curve	Rem.	Net			
Life	Shape	Salvage	AYFR	Life	Shape	Life	Salvage	AYFR	Life	Shape	Life	Salvage	AYFR	Life	Shape	Life	Salvage	
A																		
Intangible Plant																		
302.00	Intangible Plant - Franchises	25	SQ	0%	01-2050	85	R3	28.6	0%	01-2050	85	R3	28.1	0%	85	R3	64.3	0%
303.00	Misc. Intangible Plant	50	R4	-9.5%	01-2050	60	L3	27.6	0%	01-2050	60	L3	26.0	0%	60	L3	40.6	0%
Transmission Plant																		
365.11	Land																	
365.12	Land Rights	50	R5	0%	01-2050	65	R2	26.4	0%	01-2050	65	R2	26.2	0%	65	R2	46.5	0%
365.20	Rights of Way	50	R5	0%	01-2050	65	R2	26.8	-2%	01-2050	65	R2	26.3	-2%	65	R2	46.6	-3%
366.10	Compressor Station S & I	35	R3	-5%	01-2050	45	R2	25.7	-12%	01-2050	45	R2	25.7	-13%	45	R2	37.5	-18%
366.20	M & R Station S & I	40	R3	-5%	01-2050	45	R2	24.2	-6%	01-2050	45	R2	23.9	-7%	45	R2	31.8	-8%
367.00	Mains	50	R4	-10%	01-2050	75	R4	28.6	-20%	01-2050	75	R4	28.3	-23%	75	R4	53.7	-41%
368.00	Compressor Station Equipment	33	R3	0%	01-2050	85	R3	28.6	-9%	01-2050	85	R3	28.6	-9%	85	R3	76.7	-23%
369.00	Meas & Reg Station Equipment	33	R2	-5%	01-2050	60	L3	27.6	-10%	01-2050	60	L3	26.8	-10%	60	L3	44.4	-17%
General Plant																		
390.00	Struct. & Impr. - Office Bldg					10	SQ		0%		10	SQ		0%	10	SQ		0%
391.00	Office Furniture & Equipment																	
	OFF001- Tower Office Furniture & Equip	12	S2	0%		10	SQ		0%		10	SQ		0%	10	SQ		0%
	DPC001-Data Process & Comp. Equip.	4	S2	0%		8	SQ		0%		8	SQ		0%	8	SQ		0%
	DEV001-Developed Software	13	S4	0%		15	SQ		0%		15	SQ		0%	15	SQ		0%
392.10	Transportation Equipment	5	S2	10%		6	SQ		0%		6	SQ		0%	6	SQ		0%
394.00	Tools Shop & Garage Equipment	12	S2	0%		20	SQ		0%		20	SQ		0%	20	SQ		0%
396.00	Power Operated Equipment	12	S3	5%		10	SQ		0%		10	SQ		0%	10	SQ		0%
397.00	Communication Equipment	14	R3	0%		23	SQ		0%		23	SQ		0%	23	SQ		0%