

LAW OFFICE OF  
**ROBERT W. KAYLOR, P.A.**  
353 EAST SIX FORKS ROAD, SUITE 260  
RALEIGH, NORTH CAROLINA 27609  
(919) 828-5250  
FACSIMILE (919) 828-5240

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 - Amendment to Settlement Agreement and Stipulation


Dear Ms. Dunston:

Enclosed for filing in the above-referenced dockets is the Amendment to Settlement Agreement and Stipulation of Cardinal Pipeline Company, LLC, Piedmont Natural Gas Company, Inc., the Public Staff and Public Service Company of North Carolina, Inc. (Stipulating Parties). The Amendment revises the Settlement Agreement and Stipulation filed on July 5, 2022 in the above-referenced dockets to incorporate the updated regulatory fee reflected in Public Staff's Late-Filed Exhibit 1 filed on August 25, 2022. The Settlement Agreement and Stipulation, as amended, reflects settlement of all issues between all of the Stipulating Parties.

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

Sincerely,

Cardinal Pipeline Company, LLC

By 

Robert W. Kaylor  
Its Attorney  
OF COUNSEL:  
Robert W. Kaylor, P.A.  
353 East Six Forks Road, Suite 260  
Raleigh, North Carolina 27609  
Telephone: (919) 828-5250  
[bkaylor@rwkaylorlaw.com](mailto:bkaylor@rwkaylorlaw.com)

OFFICIAL COPY

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     | ) | AMENDMENT TO         |
| December 31, 2020                 | ) | SETTLEMENT AGREEMENT |
|                                   | ) | AND 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             | ) |                      |

Pursuant to Section 62-69 of the North Carolina General Statutes and Rule R1-24(c) of the Rules and Regulations of the North Carolina Utilities Commission (Commission), Cardinal Pipeline Company, LLC (Cardinal or the Company), Piedmont Natural Gas Company, Inc. (Piedmont), Public Service Company of North Carolina, Inc. (PSNC) and the Public Staff – North Carolina Utilities Commission (Public Staff), hereinafter collectively referred to as the “Stipulating Parties”, submit the following Amendment to Settlement Agreement and Stipulation (Amendment) for the Commission’s consideration. The Stipulating Parties stipulate and agree as follows:

1. **Background**. The events leading to the execution of this Amendment are as follows:

A. On October 26, 2021, in Docket No. G-39, Sub 46 (Sub 46 Docket), Cardinal 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 Commission approval every five years.

B. 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.

C. On March 28, 2022, the Public Staff filed a motion to consolidate Cardinal's Sub 46 Docket and Sub 47 Rate Case Docket, which was approved by Commission Order on April 4, 2022.

D. On March 29, 2022, Piedmont filed a petition to intervene and on March 31, 2022, PSNC filed a petition to intervene, both of which petitions were granted by Commission Order on April 4, 2022.

E. On April 7, 2022, the Commission issued its Order Establishing General Rate Case and Suspending Rates, and on May 2, 2022, the Commission issued an Order Scheduling Investigation, Establishing Intervention and Testimony Due Dates and Discovery Guidelines, and Requiring Notice.

F. Following the submission by the Public Staff of its direct testimony and exhibits of witnesses and the submission by Cardinal of its rebuttal testimony, Cardinal, Piedmont, and the Public Staff, as “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 (Stipulation) and the exhibits attached thereto, and on July 5, 2022 the Stipulation was filed with the Commission.

G. On July 11, 2022, PSNC notified the Commission that it had joined the Stipulation and is now a Stipulating Party.

H. 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 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 Stipulation and to the calculation of depreciation expense.

I. As a consequence of the filing of the late-filed exhibit relating to the calculation of the regulatory fee, the Stipulating Parties have agreed to certain adjustments to the revenue requirement and rates as set forth in the Stipulation and Exhibits A and B attached thereto, and enter into this Amendment to the Stipulation to set forth the revised revenue requirement and rates as follows:

2. **Amendments to the Stipulation.**

A. The Stipulating Parties agree that Paragraphs 4.A. and 4.G of the Stipulation are hereby deleted in their entirety and are replaced with the following Paragraphs 4.A. and 4.G:

“4. **Revenue Requirement.**

A. The Stipulating Parties agree to a total annual cost of service and revenue requirement for Cardinal of \$11,515,775. This represents a (\$203,590) decrease in revenue requirement from the end of period revenues filed by Cardinal in this proceeding and a \$1,123,120 reduction from the \$919,530 increase in revenue requirement filed by Cardinal.

.  
. .  
. . .

G. The Stipulating Parties agree that taxes other than income should be adjusted for property taxes based on the aforementioned

adjustments to plant in service and for the regulatory fee based on the agreed-to revenue requirement. The appropriate annual level of taxes other than income to be used in this proceeding under proposed rates is \$539,991.”

B. The Stipulating Parties agree that Paragraphs 5.C and 5.D of the Stipulation are hereby deleted in their entirety and are replaced with the following Paragraphs 5.C. and 5.D:

“5. **Cost of Service and Rate Design.**

- .
- .
- .

C. The Stipulating Parties agree that total cost of service is \$11,515,775, a reduction of (\$1,123,120) from the cost of service included in Cardinal’s Application, utilizing the rate of return agreed to by the Stipulating Parties.

D. Through the rates and charges approved in this Stipulation, the Company should be authorized to decrease its annual level of operating revenues by (\$203,590) per year from the end of test period revenue filed by Cardinal in this proceeding.”

C. The Stipulating Parties agree that Paragraph 8 of the Stipulation is deleted in its entirety and is hereby replaced with the following Paragraph 8:

**“8. Taxes Other (Property Taxes) and Adjustment for Regulatory Fee.**

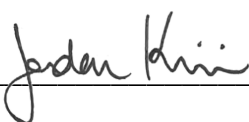
The Stipulating Parties agree that the regulatory fee amount should be calculated based on the total revenue requirement determined in this proceeding, at a rate of 0.14%. Under the rates agreed to by the Stipulating Parties, the regulatory fee expense is \$16,122 and total Taxes Other Than Income Taxes is \$539,991.”

D. The Stipulating Parties agree that Exhibits A and B to the Stipulation are hereby deleted in their entirety and are replaced with the Revised Exhibits A and B attached hereto.

**3. No other modifications.** Except as amended by this Amendment, the Stipulating Parties agree that the Stipulation shall remain in full force and effect pursuant to the terms and conditions thereof. For the avoidance of confusion, the Stipulating Parties have attached hereto in Appendix 1 a complete copy of the Stipulation marked to reflect the amendments agreed upon by the Stipulating Parties pursuant to this Amendment.

The foregoing is agreed and stipulated to, this the 29<sup>th</sup> day of August 2022.


Cardinal Pipeline Company, LLC  
By its Operator  
Cardinal Operating Company, LLC

By: 

Piedmont Natural Gas Company, Inc.

By:  \_\_\_\_\_

Public Staff – North Carolina Utilities Commission

By:  \_\_\_\_\_

Public Service Company of North Carolina, Inc.

By: /s/ Mary Lynne Grigg \_\_\_\_\_



## Schedule of Exhibits

Revised Exhibit A – Cost of Service by Zone  
Revised Exhibit B – Settlement Rates

**Cardinal Pipeline Company, LLC  
Docket No. G-39, Subs 46 and 47  
Settlement Cost of Service by Zone**

| Item                        | Zone 1         |                   |               | Zone 2         |                   |               | Total        |
|-----------------------------|----------------|-------------------|---------------|----------------|-------------------|---------------|--------------|
|                             | Demand<br>(\$) | Commodity<br>(\$) | Total<br>(\$) | Demand<br>(\$) | Commodity<br>(\$) | Total<br>(\$) |              |
| Plant                       | 28,171,495     |                   | 28,171,495    | 128,421,492    |                   | 128,421,492   | 156,592,986  |
| Accumulated Depreciation    | (18,776,338)   |                   | (18,776,338)  | (55,544,370)   |                   | (55,544,370)  | (74,320,708) |
| Net Plant                   | 9,395,157      | 0                 | 9,395,157     | 72,877,121     | 0                 | 72,877,121    | 82,272,278   |
| Materials & Supplies        | [2] 64,386     |                   | 64,386        | 293,513        |                   | 293,513       | 357,899      |
| Deferred Income Taxes       | (2,158,537)    |                   | (2,158,537)   | (24,105,795)   |                   | (24,105,795)  | (26,264,333) |
| Rate Base                   | 7,301,006      | 0                 | 7,301,006     | 49,064,839     | 0                 | 49,064,839    | 56,365,846   |
| Overall Return on Rate Base |                |                   | 536,256       |                |                   | 3,603,795     | 4,140,051    |
| O&M Expenses                | [1] 307,897    |                   | 307,897       | 2,069,689      |                   | 2,069,689     | 2,377,587    |
| Pipeline Integrity Deferral | [1] 10,672     |                   | 10,672        | 71,739         |                   | 71,739        | 82,411       |
| Depreciation                |                |                   | 702,026       |                |                   | 3,358,082     | 4,060,108    |
| General Taxes               | [1] 69,929     |                   | 69,929        | 470,062        |                   | 470,062       | 539,991      |
| Income Taxes                | [1] 108,039    |                   | 108,039       | 726,242        |                   | 726,242       | 834,281      |
| EDIT Amortization           | [1] (67,165)   |                   | (67,165)      | (451,486)      |                   | (451,486)     | (518,652)    |
| Settlement Cost of Service  | 1,667,654      | 0                 | 1,667,654     | 9,848,121      | 0                 | 9,848,121     | 11,515,775   |

[1] Rate Base Zonal Allocation Factors:

|                  |            |         |
|------------------|------------|---------|
| Zone 1 Rate Base | 7,301,006  | 12.95%  |
| Zone 2 Rate Base | 49,064,839 | 87.05%  |
| Total            | 56,365,845 | 100.00% |

[2] Allocated between zones based on Gross Plant Factor:

|        |             |         |
|--------|-------------|---------|
| Zone 1 | 28,171,495  | 17.99%  |
| Zone 2 | 128,421,492 | 82.01%  |
|        | 156,592,986 | 100.00% |

Hypothetical Capital Structure:

|               | Percent of<br>Capital | Cost  | Weighted Cost<br>of Capital |
|---------------|-----------------------|-------|-----------------------------|
| Common Equity | 51.96%                | 9.55% | 4.96%                       |
| Debt          | 48.04%                | 4.96% | 2.38%                       |
| Total Capital | 100.00%               |       | 7.34%                       |

**Cardinal Pipeline Company, LLC  
Docket No. G-39, Subs 46 and 47  
Settlement Rates**

| Item                             | Zone 1 A  |           | Zone 1 B    |           | Zone 2      |           | Total        |
|----------------------------------|-----------|-----------|-------------|-----------|-------------|-----------|--------------|
|                                  | Demand    | Commodity | Demand      | Commodity | Demand      | Commodity |              |
| Revenues Generated               | \$593,580 | \$0       | \$1,074,074 | \$0       | \$9,848,121 | \$0       | \$11,515,775 |
| Annual Billing Determinants      |           |           |             |           |             |           |              |
| Demand (Mcf)                     | 720,000   |           | 840,000     |           | 3,987,240   |           |              |
| Demand (Dt)                      | 745,200   |           | 869,400     |           | 4,126,800   |           |              |
| Commodity (Dt)                   |           | 0         |             | 0         |             | 0         |              |
| Rates                            |           |           |             |           |             |           |              |
| Monthly Demand (\$/Mcf)          | \$0.82442 |           | \$1.27866   |           | \$2.46991   |           |              |
| Monthly Demand (\$/Dt)           | \$0.79654 |           | \$1.23542   |           | \$2.38639   |           |              |
| Daily Demand (\$/Dt)             | \$0.02619 |           | \$0.04062   |           | \$0.07846   |           |              |
| Commodity (\$/Dt)                |           | \$0.00000 |             | \$0.00000 |             | \$0.00000 |              |
| Daily Electric Power Rate        | \$0.00047 |           | \$0.00047   |           | \$0.00047   |           |              |
| Excess CFT 100% Load Factor (dt) |           |           |             |           |             |           |              |
| Zone 1A                          | \$0.02619 |           |             |           |             |           |              |
| Zone 1B                          | \$0.04062 |           |             |           |             |           |              |
| Zone 2                           | \$0.07846 |           |             |           |             |           |              |
| Zone 1 COS Split                 |           |           |             |           |             |           |              |
| Zone 1A                          | 35.5937%  |           |             |           |             |           |              |
| Zone 1B                          | 64.4063%  |           |             |           |             |           |              |

**Appendix 1**

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                 | ) | SETTLEMENT AGREEMENT |
|                                   | ) | AND 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             | ) |                      |

Pursuant to Section 62-69 of the North Carolina General Statutes and Rule R1-24(c) of the Rules and Regulations of the North Carolina Utilities Commission (Commission), Cardinal Pipeline Company, LLC (Cardinal or the Company), Piedmont Natural Gas Company, Inc. (Piedmont), and the Public Staff – North Carolina Utilities Commission (Public Staff), hereinafter collectively referred to as the “Stipulating Parties”, submit the following Settlement Agreement and Stipulation (Stipulation) for the Commission’s consideration. The Stipulating Parties stipulate and agree as follows:

1. **Background**. The events leading to the execution of this Stipulation are as follows:

A. On October 26, 2021, in Docket No. G-39, Sub 46 (Sub 46 Docket), Cardinal 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 Commission 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.

B. On February 11, 2022, Cardinal gave notice of its intent to file a general rate case. Cardinal also filed on this date a Request for Waivers of certain Commission requirements pertaining to Item 25 and Item 26 of the G-1 filing and waiver of Commission Rule R1-17 (b)(13)(d) requirement to publish notice to its customers in local newspapers. The Commission granted this request on April 4, 2022.

C. 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; 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.

D. On March 28, 2022, the Public Staff filed a motion to consolidate Cardinal's Sub 46 Docket and Sub 47 Rate Case Docket, which was approved by Commission Order dated April 4, 2022.

E. On March 29, 2022, Piedmont filed a petition to intervene, which was granted by Commission Order on April 4, 2022.

F. On March 31, 2022, PSNC filed a petition to intervene, which was granted by Commission Order on April 4, 2022.

G. 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.

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

I. 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 file testimony, establish discovery rules, and require notice to customers.

J. On May 2, 2022, the Commission issued an Order Scheduling Investigation, Establishing Intervention and Testimony Due Dates and Discovery Guidelines, and Requiring Notice.

K. 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 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 extend the time for the filing of Cardinal's rebuttal testimony and exhibits, if any, to June 27, 2022. This motion was granted on June 10, 2022.

L. 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.

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



N. Subsequent to 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. Following the completion of the Public Staff's investigation, a settlement conference was convened, as well as numerous conference calls, and the Stipulating Parties were able to arrive at a settlement of all the issues, the terms of which are reflected in this Stipulation and the exhibits attached hereto.

2. **Test Period.** The test period for this rate case is the twelve-month period ending on December 31, 2021, updated and adjusted for certain changes or circumstances occurring or becoming known through March 31, 2022.

3. **Rate Base.** The Stipulating Parties agree to adjust the estimated plant in service and related rate base components filed by Cardinal to reflect actual plant in service updates as of March 31, 2022. The Stipulating Parties further agree that the original cost rate base used and useful in providing service in North Carolina is \$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).

4. **Revenue Requirement.**

A. The Stipulating Parties agree to a total annual cost of service and revenue requirement for Cardinal of \$~~11,514,624~~11,515,775. This represents a ~~(\$204,741)~~(\$203,590) decrease in revenue requirement from the end of period

revenues filed by Cardinal in this proceeding and a ~~\$1,124,271~~1,123,120 reduction from the \$919,530 increase in revenue requirement filed by Cardinal.

B. The Stipulating Parties agree that the net increase in depreciation expense should be \$11,642 from the \$4,048,466 filed by Cardinal to reflect the adjustment for actual plant in service as of March 31, 2022, and to incorporate the effect of the new depreciation rates. The Stipulating Parties agree that the annual level of depreciation expense to be used in this proceeding is \$4,060,108.

C. The overall level of operating expenses appropriate for use in this proceeding is \$7,374,573 as shown on Exhibit A (Total Settlement Cost of Service less Total Overall Return on Rate Base).

D. The hypothetical capital structure appropriate for use in this proceeding consists of 51.96% common equity and 48.04% debt (at a debt cost rate of 4.96%) as shown on Exhibit A.

E. The rate of return on common equity ("ROE") that the Company should be allowed an opportunity to earn is 9.55%, as shown on Exhibit A. This agreed level of ROE represents a significant compromise by each of the Stipulating Parties from their respective litigation positions. This agreed-upon ROE is deemed by each Stipulating Party to be a reasonable ROE for use in this proceeding that will provide the Company with a reasonable opportunity, by sound management, to (1) produce a fair return for its shareholders, and a just and reasonable result for its customers considering changing economic conditions and other factors; (2) maintain the Company's facilities and services in

accordance with the reasonable requirements of its customers in the territory covered by its franchise; and (3) compete in the market for capital funds on terms that are fair to its customers and to its existing investors. Each of the Stipulating Parties further agrees that such agreed-upon ROE, together with the agreed-upon capital structure and adjustments to the Company's rate base and operating expenses, results in a revenue requirement that is just and reasonable to the Company's customers in light of changing economic conditions.

F. The weighted overall rate of return that the Company should be allowed an opportunity to earn on its rate base is 7.34%, as shown on Exhibit A. Furthermore, this rate should be used by the Company as its AFUDC rate. The calculation of revenue requirements related to AFUDC shall take into account both the tax deductibility of the weighted debt component of the overall rate of return and the tax non-deductibility of the weighted equity component of the overall rate of return. AFUDC accrued shall be adjusted as appropriate for income taxes.

G. The Stipulating Parties agree that taxes other than income should be adjusted for property taxes based on the aforementioned adjustments to plant in service and for the regulatory fee based on the agreed-to revenue requirement. The appropriate annual level of taxes other than income to be used in this proceeding under proposed rates is ~~\$538,838,539,991~~.

H. The Stipulating Parties agree that income taxes should be determined using the North Carolina state income tax rate of 2.5% and the federal income tax rate of 21%, and that the composite state and federal income

tax rate is 22.975%. The Stipulating Parties also agree that income taxes should be calculated based on the overall return amount (less the interest and debt component) determined in this proceeding.

I. The revenues generated by the rates shown on Exhibit B will produce the revenue requirement established in this Stipulation.

**5. Cost of Service and Rate Design.**

A. The Stipulating Parties agree to the allocation methodology employed by the Company in determining the cost of service applicable to each zone as shown on Exhibit A and the specific rates as shown on Exhibit B, which are attached hereto and incorporated by reference herein.

B. The Stipulating Parties agree to the zonal allocation factors as shown on Exhibit A.

C. The Stipulating Parties agree that total cost of service is ~~\$11,514,624~~11,515,775, a reduction of ~~(\$1,124,271)~~(\$1,123,120) from the cost of service included in Cardinal's Application, utilizing the rate of return agreed to by the Stipulating Parties.

D. Through the rates and charges approved in this Stipulation, the Company should be authorized to decrease its annual level of operating revenues by ~~(\$204,741)~~(\$203,590) per year from the end of test period revenue filed by Cardinal in this proceeding.

6. **Depreciation Rate Study and Depreciation Expense.**

The Stipulating Parties agree to the depreciation rates submitted in the 2021 Depreciation Rate Study filed by the Company in the Sub 46 Docket, as modified by adjustments to the Depreciation and Negative Salvage rates recommended by Public Staff witness McCullar. Using the recommended rates, the Stipulating Parties agree to an updated annualized depreciation expense amount of \$4,060,108. The Stipulating Parties agree that effective on the first day of the month following Commission order approving this Stipulation, Cardinal will adopt the depreciation rates, as revised by Public Staff witness McCullar, reflected in the 2021 Depreciation Rate Study.

7. **Income Taxes & Excess Deferred Income Taxes (“EDIT”) Amortization**

A. Income Taxes. The Stipulating Parties agree to reflect the Income Taxes and EDIT Amortization as separate line items in the Total Cost of Service.

B. EDIT Amortization. The Stipulating Parties agree 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.

i. The Stipulating Parties agree 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.

ii. The Stipulating Parties agree that if any aspect of the amortization of the EDIT as provided in this Stipulation (and approved by the Commission pursuant to its approval of this 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 Internal Revenue Code (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. It is the recommendation of the Stipulating Parties that the Commission include the provisions of this paragraph in its Order approving this 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.

C. EDIT Amortization From Docket No. G-39, Sub 38. The Stipulating Parties agree 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 Joint Stipulation approved by the Commission on July 27, 2017 in Docket No. G-39, Sub 38 (July 27 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 July 27 Order, the Stipulating Parties agree that Cardinal will, within 30 days of the effective date of rates in this proceeding, refund to its shippers the applicable amount of unamortized EDIT balance in accordance with the schedule shown in Exhibit C. 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.

**8. Taxes Other (Property Taxes) and Adjustment for Regulatory Fee.**

The Stipulating Parties agree that the regulatory fee amount should be calculated based on the total revenue requirement determined in this proceeding, at a rate of 0.130.14%. ~~This results in a regulatory fee expense of \$15,235 and total Taxes Other Than Income Taxes of \$539,104 under present rates.~~ Under the rates agreed to by the Stipulating Parties, the regulatory fee expense is \$44,96916,122 and total Taxes Other Than Income Taxes is \$538,838539,991.

**9. Operating and Maintenance (O&M) Expenses.** The Stipulating Parties

agree to O&M Expense of \$2,377,587.

10. **Annual Billing Determinants.** The Stipulating Parties agree that the annual billing determinants for Zones 1A, 1B, and 2 will be the determinants reflected on Exhibit\_(KM-002), Statement I-2 of Cardinal's Sub 47 Rate Case Application for those zones.

11. **AFUDC.** The Stipulating Parties agree that the Company will use an AFUDC rate of 7.34%, adjusted as appropriate to reflect the tax deductibility of interest expense, effective on the date rates are approved in this proceeding.

12. **Pipeline Integrity O & M Deferral.** The Stipulating Parties agree that Cardinal's request to defer certain pipeline integrity O&M expenses (Pipeline Integrity Expenses) is appropriate. The Stipulating Parties 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 would 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. The Stipulating Parties agree on an annual amortization of \$82,411 for Pipeline Integrity Expenses incurred during Cardinal's 2018 assessment.

13. **Cybersecurity Deferral Request.** The Stipulating Parties agree 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 of deferral in this Stipulation. Therefore, the Stipulating Parties agree that if Cardinal still wishes to defer these costs when 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 agree 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 that point in time.

**14. Next Rate Case Filing.** Cardinal agrees to file its next rate case no later than March 15, 2027. Cardinal also agrees to provide the Stipulating Parties 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. Consistent with the Stipulation, the Stipulating Parties agree not to initiate a show cause proceeding relating to

Cardinal's rates and charges before its next rate case filing; provided, however, that the Stipulating Parties are not constrained in any way in their ability to seek changes to, or make filings with the Commission, including complaint proceedings, related to, Cardinal's terms and conditions of service or operating practices as a consequence of the foregoing show cause moratorium.

**15. Effective Date of Rates.** The effective date of the rates set forth in this Stipulation shall be the first day of the month following the date of the Commission's order approving this Stipulation.

**16. Agreement to Support Settlement; Non-Waiver.**

The Stipulating Parties, and their agents, witnesses, and representatives, will act in good faith to support the reasonableness of this Stipulation in any hearing before the Commission and any proposed order or brief in this docket; provided, however, that the settlement of any issue pursuant to this Stipulation shall not be cited as precedent by any of the Stipulating Parties in any other proceeding or docket before this Commission or on appeal before the North Carolina Court of Appeals or North Carolina Supreme Court. The provisions of this Stipulation do not necessarily reflect any position asserted by any of the Stipulating Parties. Rather, they reflect a settlement among the Stipulating Parties as to all issues, and no Stipulating Party waives the right to assert any position in any future docket before the Commission.

**17. Introduction/Withdrawal of Testimony and Waiver of Cross-Examination.** The Stipulating Parties agree that all pre-filed testimony and exhibits of the Stipulating Parties, including any supplemental testimony filed in

support of this Stipulation, may be introduced into evidence without objection, and the Stipulating Parties waive their respective right to cross-examine all of the other Stipulating Parties' witnesses with respect to pre-filed testimony and exhibits addressing issues resolved by this Stipulation. If questions should be asked by any non-Stipulating Party or a Commissioner, the Stipulating Parties may present testimony and/or exhibits to respond to such questions and may cross-examine any witnesses with respect to such testimony and/or exhibits; provided, however, that such testimony, exhibits, and/or cross-examination shall not be inconsistent with this Stipulation. The Stipulating Parties further agree that the Company and the Public Staff will file supplemental testimony in support of the Stipulation provided that such testimony shall not be inconsistent with this Stipulation.

**18. Binding Only if Entire Stipulation Accepted.** This Stipulation is the product of give-and-take negotiations and reflects various concessions made by each Stipulating Party as to the items herein. On balance, the Stipulating Parties believe the Stipulation provides a reasonable resolution of the contested issues when considered in its entirety. No portion of this Stipulation shall be binding on the Stipulating Parties unless the entire Stipulation is accepted by the Commission. The terms and conditions set forth above represent, in full, the agreement of the Stipulating Parties. If the Commission rejects any part of this Stipulation or approves this Stipulation subject to any change or condition or if the Commission's approval of this Stipulation is rejected or conditioned by a reviewing court, the Stipulating Parties agree to meet and discuss the applicable

Commission or court order within five (5) business days of its issuance and to attempt, in good faith, to determine if they are willing to modify the Stipulation consistent with the order. No Stipulating Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Stipulating Party withdraws from the Stipulation, each Stipulating Party retains the right to seek additional procedures before the Commission, including cross-examination of witnesses, with respect to issues addressed by the Stipulation and shall not be bound or prejudiced by the terms and conditions of the Stipulation.

The foregoing is agreed and stipulated to, this the 1<sup>st</sup> day of July, 2022.

Cardinal Pipeline Company, LLC  
 By its Operator  
 Cardinal Operating Company, LLC

By: \_\_\_\_\_

Piedmont Natural Gas Company, Inc.

By: \_\_\_\_\_

Public Staff – North Carolina Utilities Commission

By: \_\_\_\_\_

**OFFICIAL COPY**

**Aug 29 2022**

## Schedule of Exhibits

Revised Exhibit A – Cost of Service by Zone

Revised Exhibit B – Settlement Rates

Exhibit C – EDIT Refund Table

## Revised Exhibit A

**Cardinal Pipeline Company, LLC**  
**Docket No. G-39, Subs 46 and 47**  
**Settlement Cost of Service by Zone**

| Item                        | Zone 1            |                   |                  | Zone 2           |                   |                  | Total             |
|-----------------------------|-------------------|-------------------|------------------|------------------|-------------------|------------------|-------------------|
|                             | Demand<br>(\$)    | Commodity<br>(\$) | Total<br>(\$)    | Demand<br>(\$)   | Commodity<br>(\$) | Total<br>(\$)    |                   |
| Plant                       | 28,171,495        |                   | 28,171,495       | 128,421,492      |                   | 128,421,492      | 156,592,986       |
| Accumulated Depreciation    | (18,776,338)      |                   | (18,776,338)     | (55,544,370)     |                   | (55,544,370)     | (74,320,708)      |
| Net Plant                   | 9,395,157         | 0                 | 9,395,157        | 72,877,121       | 0                 | 72,877,121       | 82,272,278        |
| Materials & Supplies        | [2] 64,386        |                   | 64,386           | 293,513          |                   | 293,513          | 357,899           |
| Deferred Income Taxes       | (2,158,537)       |                   | (2,158,537)      | (24,105,795)     |                   | (24,105,795)     | (26,264,333)      |
| Rate Base                   | 7,301,006         | 0                 | 7,301,006        | 49,064,839       | 0                 | 49,064,839       | 56,365,846        |
| Overall Return on Rate Base |                   |                   | 536,256          |                  |                   | 3,603,795        | 4,140,051         |
| O&M Expenses                | [1] 307,897       |                   | 307,897          | 2,069,689        |                   | 2,069,689        | 2,377,587         |
| Pipeline Integrity Deferral | [1] 10,672        |                   | 10,672           | 71,739           |                   | 71,739           | 82,411            |
| Depreciation                |                   |                   | 702,026          |                  |                   | 3,358,082        | 4,060,108         |
| General Taxes               | [1] <u>69,929</u> |                   | <u>69,929</u>    | <u>470,062</u>   |                   | <u>470,062</u>   | <u>539,991</u>    |
| Income Taxes                | [1] 108,039       |                   | 108,039          | 726,242          |                   | 726,242          | 834,281           |
| EDIT Amortization           | [1] (67,165)      |                   | (67,165)         | (451,486)        |                   | (451,486)        | (518,652)         |
| Settlement Cost of Service  | <u>1,667,654</u>  | 0                 | <u>1,667,654</u> | <u>9,848,121</u> | 0                 | <u>9,848,121</u> | <u>11,515,775</u> |

## [1] Rate Base Zonal Allocation Factors:

|                  |                   |                |
|------------------|-------------------|----------------|
| Zone 1 Rate Base | 7,301,006         | 12.95%         |
| Zone 2 Rate Base | 49,064,839        | 87.05%         |
| Total            | <u>56,365,845</u> | <u>100.00%</u> |

## [2] Allocated between zones based on Gross Plant Factor:

|        |                    |                |
|--------|--------------------|----------------|
| Zone 1 | 28,171,495         | 17.99%         |
| Zone 2 | 128,421,492        | 82.01%         |
|        | <u>156,592,986</u> | <u>100.00%</u> |

## Hypothetical Capital Structure:

|               | Percent of<br>Capital | Cost  | Weighted Cost<br>of Capital |
|---------------|-----------------------|-------|-----------------------------|
| Common Equity | 51.96%                | 9.55% | 4.96%                       |
| Debt          | 48.04%                | 4.96% | 2.38%                       |
| Total Capital | <u>100.00%</u>        |       | <u>7.34%</u>                |

**Revised Exhibit B**

**Cardinal Pipeline Company, LLC  
Docket No. G-39, Subs 46 and 47  
Settlement Rates**

| Item                             | Zone 1 A         |           | Zone 1 B           |           | Zone 2             |           | Total               |
|----------------------------------|------------------|-----------|--------------------|-----------|--------------------|-----------|---------------------|
|                                  | Demand           | Commodity | Demand             | Commodity | Demand             | Commodity |                     |
| Revenues Generated               | <u>\$593,580</u> | \$0       | <u>\$1,074,074</u> | \$0       | <u>\$9,848,121</u> | \$0       | <u>\$11,515,775</u> |
| Annual Billing Determinants      |                  |           |                    |           |                    |           |                     |
| Demand (Mcf)                     | 720,000          |           | 840,000            |           | 3,987,240          |           |                     |
| Demand (Dt)                      | 745,200          |           | 869,400            |           | 4,126,800          |           |                     |
| Commodity (Dt)                   |                  | 0         |                    | 0         |                    | 0         |                     |
| Rates                            |                  |           |                    |           |                    |           |                     |
| Monthly Demand (\$/Mcf)          | <u>\$0.82442</u> |           | <u>\$1.27866</u>   |           | <u>\$2.46991</u>   |           |                     |
| Monthly Demand (\$/Dt)           | <u>\$0.79654</u> |           | <u>\$1.23542</u>   |           | <u>\$2.38639</u>   |           |                     |
| Daily Demand (\$/Dt)             | \$0.02619        |           | <u>\$0.04062</u>   |           | <u>\$0.07846</u>   |           |                     |
| Commodity (\$/Dt)                |                  | \$0.00000 |                    | \$0.00000 |                    | \$0.00000 |                     |
| Daily Electric Power Rate        | \$0.00047        |           | \$0.00047          |           | \$0.00047          |           |                     |
| Excess CFT 100% Load Factor (dt) |                  |           |                    |           |                    |           |                     |
| Zone 1A                          | \$0.02619        |           |                    |           |                    |           |                     |
| Zone 1B                          | <u>\$0.04062</u> |           |                    |           |                    |           |                     |
| Zone 2                           | <u>\$0.07846</u> |           |                    |           |                    |           |                     |
| Zone 1 COS Split                 |                  |           |                    |           |                    |           |                     |
| Zone 1A                          | 35.5937%         |           |                    |           |                    |           |                     |
| Zone 1B                          | 64.4063%         |           |                    |           |                    |           |                     |



## Exhibit C

Cardinal Pipeline Company, LLC  
Docket No. G-39, Sub 47  
EDIT Refund Table

| Effective Date of Rates | Total Unamortized EDIT Balance |
|-------------------------|--------------------------------|
| May 1, 2022             | (154,887)                      |
| June 1, 2022            | (110,849)                      |
| July 1, 2022            | (66,811)                       |
| August 1, 2022          | (22,773)                       |
| September 1, 2022       | 21,265                         |
| October 1, 2022         | 65,303                         |
| November 1, 2022        | 109,341                        |
| December 1, 2022        | 153,379                        |
| January 1, 2023         | 197,417                        |
| February 1, 2023        | 241,455                        |