

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

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

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-39, SUB 46)	
)	
In the Matter of)	
Cardinal Pipeline Company, LLC Depreciation)	
Rate Study as of December 31, 2020)	ORDER 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, 353 East Six Forks Road, Suite 260, Raleigh, North Carolina 27609

For the Using and Consuming Public:

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

For Piedmont Natural Gas Company, Inc.:

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

For Public Service Company of North Carolina, Inc.:

Mary Lynne Grigg, 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 to the Commission for 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 R1-1-17(a). Also on February 11, 2022, Cardinal filed a request for a waiver of three Commission requirements generally applicable to the filing of a rate case.

On March 15, 2022, Cardinal filed its verified application (Application) in Docket No. G-39, Sub 47 (Sub 47 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; (6) other updates and revisions to Cardinal's rate schedules; and (7) implementation of the depreciation rate changes included in the 2021 Depreciation Rate Study. The test year used was the twelve-month period ending on December 31, 2021. Cardinal included with its Application information and data required by NCUC Form G-1 and the direct testimony and exhibits of witnesses Kerri H. Miller, Michael P. Cousino, David J. Haag, and Steven R. Fall.

On March 28, 2022, the Public Staff – North Carolina Utilities Commission (Public Staff) filed a motion requesting that the Commission issue an order consolidating Cardinal's Depreciation Study in the Sub 46 Docket with its Application in the Sub 47 Docket.

On April 4, 2022, the Commission issued an order consolidating these dockets. Also on April 4, 2022, the Commission issued an order granting Cardinal's request for waivers.

Petitions to intervene were filed by Piedmont Natural Gas Company, Inc. (Piedmont), and Public Service Company of North Carolina, Inc. (PSNC), and granted by the Commission.

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

On May 2, 2022, the Commission issued an Order Scheduling Investigation, Establishing Intervention and Testimony Due Dates and Discovery Guidelines, and Requiring Notice (Scheduling Order). Among other things, the Scheduling Order set the matter to be heard beginning at 1:00 p.m., on Monday, July 11, 2022.

On June 10, 2022, the Public Staff filed the direct testimony and exhibits of witnesses Roxie McCullar and John R. Hinton. On June 13, 2022, the Public Staff filed the direct testimony and exhibits of witnesses Neha Patel and Sonja R. Johnson.

On June 27, 2022, Cardinal filed the rebuttal testimony of witnesses David J. Haag and Kerri H. Miller.

On July 5, 2022, Cardinal, the Public Staff, and Piedmont (Stipulating Parties) filed a Settlement Agreement and Stipulation (Original Stipulation). Also, on July 5, 2022, the Public Staff filed the testimony of witnesses Hinton and Johnson, and Cardinal filed the testimony of witnesses Haag, Fall, and Miller, in support of the settlement.

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 an Order Allowing in Part and Denying in Part Joint Motion to Excuse Witnesses.

On July 11, 2022, the case came on for hearing as scheduled.

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 25 and 26, 2022, the Public Staff filed two late-filed exhibits requested by the Commission at the hearing.

On August 29, 2022, the Stipulating Parties filed an amendment to the Original Stipulation (Amended Stipulation) that included Revised Exhibits A and B. The Public Staff also filed a Revised Settlement Exhibit A to the settlement supporting testimony of witness Johnson.

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

On October 3, 2022, the Stipulating Parties filed a Corrected Amendment to Settlement Agreement and Stipulation (Second Amended Stipulation).

Based upon the 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 its Application, 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 Second Amended Stipulation executed by Cardinal, the Public Staff, Piedmont, and PSNC is not opposed by any party. The Second Amended Stipulation settles all matters in the consolidated Sub 46 and Sub 47 Dockets.

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 Second 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 proceeding.

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 Second Amended Stipulation, is just and reasonable and appropriate for use in this proceeding.

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 Second Amended Stipulation, are just and reasonable and appropriate for use in this proceeding.

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 proceeding.

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 Second Amended Stipulation, are just and reasonable and appropriate for use in this proceeding.

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 Second Amended Stipulation, are just and reasonable and appropriate for use in this proceeding.

14. The rate of return on common equity (ROE) of 9.55%, as set forth in Paragraph 4.E and on Revised Exhibit A of the Second Amended Stipulation, is consistent with the requirements of N.C.G.S. § 62-133 and is just and reasonable and appropriate for use in this proceeding. The application of the stipulated capital structure and the cost rates of debt and common equity produce an overall rate of return of 7.34% as set forth in Paragraph 4.F and on Revised Exhibit A of the Second 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 Second Amended Stipulation, are just and reasonable and appropriate for use in determining income taxes in this proceeding.

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

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 Second Amended Stipulation and as applied to the specific rates shown on Revised Exhibit B of the Second Amended Stipulation, is just and reasonable and appropriate for use in this proceeding.

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

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 (RSG) 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 Second Amended Stipulation, is just and reasonable and appropriate for use in this proceeding.

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 Second Amended Stipulation, is just and reasonable and appropriate for use in this proceeding.

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 of \$16,122 and total Taxes Other Than Income Taxes of \$539,991, is just and reasonable and appropriate for use in determining the regulatory fee expense in this proceeding.

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

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 Application for those zones, are just and reasonable and appropriate for use in this proceeding.

24. The use of an allowance for funds used during construction (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 Second Amended Stipulation, is just and reasonable and appropriate for use in this proceeding.

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 Second 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 Second 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 Second Amended Stipulation, is just and reasonable and should be approved.

28. All of the provisions of the Second 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 can be found in the Application, the testimony and exhibits of the Company's witnesses, the NCUC Form G-1 filed with the Application, the provisions of Chapter 62 of the General Statutes, and the Commission's records. 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, the Second Amended Stipulation, and representations made by Cardinal, the Public Staff, Piedmont, and PSNC at the hearing.

The Original Stipulation states 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 and the second amendment to the Original Stipulation. The Second 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 Second Amended Stipulation is based upon the test period used 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 Public Staff witness Johnson, and the Second Amended Stipulation.

Miller Exhibit KM-002, Schedule 8, Page 1 indicates that Cardinal filed for an annual revenue increase of \$919,530. The Second 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 Second 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 proceeding and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 9

The evidence supporting this finding of fact is contained in the Application, the testimony and exhibits of the Company's witnesses, the testimony and exhibits of the Public Staff's witnesses, and the Second 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 Second 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 these amounts and concludes that they are just and reasonable and appropriate for use in this proceeding and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 10

The evidence supporting this finding of fact is contained in the Application, the testimony and exhibits of the Company's witnesses, the testimony and exhibits of the Public Staff's witnesses, and the Second 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 Second Amended Stipulation. The amounts shown on Revised Exhibit A of the Second 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 proceeding 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 witnesses

McCullar and Johnson, the 2021 Depreciation Rate Study filed in the Sub 46 Docket, and the Second Amended Stipulation.

As set forth in Paragraph 6 of the Second Amended Stipulation, the Stipulating Parties have incorporated these depreciation rates into the annual cost of service contained in the Second 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 proceeding and should be approved. The Commission views and accepts the parties' agreement to use the 2050 end-of-life depreciation period as one part of the parties' holistic, good faith, give-and-take negotiations in this proceeding. The Commission notes that such agreement is not evidence, and is not an endorsement by the Commission, of any date-certain retirement of the Cardinal assets for any other proceedings pending before the Commission. The Commission also notes that the Public Staff determined that there were no significant changes to the 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 this proceeding. The Commission further notes that Cardinal will be required to file its next depreciation study in late 2026, with the most current information, including that related to remaining economic life, to be evaluated at that time.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 12

The evidence supporting this finding of fact is contained in the Application, the testimony and exhibits of the Company's witnesses, the testimony and exhibits of the Public Staff's witnesses, and the Second 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 Second Amended Stipulation. The amounts shown on Revised Exhibit A of the Second 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 proceeding 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 witness Haag, the testimony and exhibits of Public Staff witness Hinton, and the Second Amended Stipulation.

The hypothetical capital structure and debt cost for Cardinal are set forth in Revised Exhibit A of the Second 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 similar to the common equity ratio approved by the Commission in each of several recent natural gas and electric utility general rate cases. The common equity and debt ratios shown on Revised Exhibit A of the Second 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 proceeding 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 witness Haag, the testimony and exhibits of Public Staff witness Hinton, and the Second 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 Second 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 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 common equity of 9.55% will not cause undue hardship to customers.

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

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 Second 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 Second Amended Stipulation, are reasonable and appropriate for use in this proceeding. 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 proceeding and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 16

The evidence supporting this finding of fact is contained in the 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 Second Amended Stipulation.

The rates reflected on Revised Exhibit B of the Second Amended Stipulation are the result of negotiations among 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 proceeding and should be approved.

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

The evidence supporting these findings of fact is contained in the 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 Second 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 Second 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 proceeding and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 19

The evidence supporting this finding of fact is contained in the 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 Second 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 Second Amended Stipulation (and approved by the Commission pursuant to its approval of the Second 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 Second 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 Second Amended Stipulation relating to the amortization of EDIT, as set forth in Paragraph 7.B of the Second 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 Second 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 the Application, the testimony and exhibits of the Company's witnesses, and Paragraph 7.C of the Second Amended Stipulation.

As provided in Paragraph 7.C of the Second 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 Second 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 Second 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 Second Amended Stipulation.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 21

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, 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 Second 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 proceeding 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 Second Amended Stipulation.

The O&M expense is set forth in Paragraph 9 and Revised Exhibit A of the Second 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 proceeding 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 Second 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 proceeding 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 Second 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 proceeding 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 Second 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 Second 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 Second 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 Second Amended Stipulation.

As set forth in Paragraph 13 of the Second 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 Second Amended Stipulation of Cardinal's proposal for deferral. The Stipulating Parties also agreed that (1) 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; (2) if approved, amortization of these costs shall begin 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; and (3) 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) that the Commission has at times applied to 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 Second Amended Stipulation.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 27

Consistent with Paragraph 14 of the Second 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 Second 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 proceeding and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 28

For the reasons set forth in the foregoing paragraphs, the Commission has carefully considered the Second Amended Stipulation and concludes that it is the product of give-and-take negotiations among the parties, 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 the provisions of the Second 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 Second 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 Second 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 within ten 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 Second Amended Stipulation, are approved; and

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 14th day of October, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in cursive script that reads "Erica N. Green".

Erica N. Green, Deputy Clerk