



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

April 5, 2022

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

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

Dear Ms. Dunston:

On February 10, 2022, Cardinal Pipeline Company, LLC (Cardinal), filed a notice of its intention to file a general rate case application pursuant to Commission Rule R1-17(a).

On March 15, 2022, Cardinal filed a verified application (Application) with the Commission, pursuant to N.C. Gen. Stat. § 62-133, requesting authority to adjust its rates and charges for natural gas service effective May 1, 2022. In its Application, Cardinal proposes rate changes that would produce an increase in its annual operating revenues of \$919,530, which is an overall increase of approximately 7.28%.

In support of its Application, Cardinal states that the Joint Stipulation approved by the Commission on July 27, 2017, in its Order Decreasing Rates in Docket No. G-39, Sub 38 required Cardinal to file a general rate case no later than March 15, 2022. Cardinal states that the rate increase is due to the need to comply with the NCUC Order Addressing Impacts of the Federal Tax Cuts and Jobs Act on Public Utilities, sufficient to allow Cardinal to recover its cost of service including a just and reasonable return on its investment. Contributing to the proposed overall rate increase are several adjustments to Cardinal's various operating and maintenance (O&M) expenses, insurance premiums, rent, legal and rate case expenses, adjusted depreciation rates, and an overall decrease in rate base.

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Cardinal has an established Integrity Management Program to comply with the rules of the Pipeline and Hazardous Materials Safety Administration (PHMSA). Cardinal's Integrity Management Program requires an assessment of its pipeline every seven years. Cardinal states that it performed its last assessment in 2018 and incurred \$412,056 in expenses, which were placed in a deferred account (regulatory asset). Cardinal is seeking to collect these expenses over five years, the presumed rate period of the rates proposed in the Application, for an annual amortization of \$82,411. Because Cardinal's O&M expenses for the test year did not include any expenses for the required pipeline assessment, Cardinal is proposing to place the actual costs incurred for the 2025 assessment in a regulatory deferred account for proposed recovery in a future rate proceeding.

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

On March 28, 2022, the Public Staff filed a motion requesting that the Commission issue an order consolidating Cardinal's Depreciation Study as filed in Docket No. G-39, Sub 46 with its general rate case application in Docket No. G-39, Sub 47. The Commission issued an order consolidating the aforementioned dockets on April 4, 2022.

The Public Staff respectfully recommends that Cardinal's Application be declared a general rate case, and that the proposed rates and charges be suspended for up to 270 days from April 14, 2022, the date on which these rates would otherwise go into effect. A proposed order is attached.

Sincerely,

Electronically submitted
/s/ Gina Holt
Staff Attorney
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cc: Parties of Record

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