

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

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APPLICATION OF

APPALACHIAN NATURAL GAS  
DISTRIBUTION COMPANY  
and  
CARDINAL NATURAL GAS COMPANY

CASE NO. PUR-2024-00060

For authority to enter into affiliate agreements  
to provide and receive corporate and  
operational services under Chapter 4,  
Title 56 of the Code of Virginia

ORDER GRANTING APPROVAL

On April 8, 2024, Appalachian Natural Gas Distribution Company ("Appalachian") and Cardinal Natural Gas Company ("CNG" f/k/a Bluefield Gas Company) (collectively, the "Applicants"), filed an application ("Application") with the State Corporation Commission ("Commission") pursuant to Chapter 4 of Title 56 of the Code of Virginia ("Code"),<sup>1</sup> seeking authorization (1) to extend an existing affiliate agreement in which Appalachian will provide corporate services such as executive management, accounting, treasury information, technology support, human resources, safety and regulatory compliance and support services to CNG ("Corporate Services Agreement"); (2) to extend an existing affiliate agreement in which CNG provides services needed to operate Appalachian's Bluefield, Virginia, service territory ("Operational Services Agreement") (together with the Corporate Services Agreement, the "Agreements"), for an additional five-year period; and (3) for interim authority to continue operating under these previously approved Agreements. The Applicants are operating under the

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<sup>1</sup> Code § 56-76 *et seq.* ("Affiliates Act").

Agreements as approved in Case No. PUR-2019-00063.<sup>2</sup> The Commission granted interim authority on May 21, 2024, pending final order in the proceeding.

The Applicants state that there are no changes in the Agreements, or to the Corporate and Operational Services provided or received from the previous case. The Applicants assert that the Agreements continue to be in the public interest and should be approved as they will allow Appalachian to provide and receive these services in a more cost effective and efficient manner.<sup>3</sup>

NOW THE COMMISSION, upon consideration of this matter and having been advised by the Commission Staff ("Staff") through Staff's action brief is of the opinion and finds that the Agreements are in the public interest and should be approved subject to the requirements listed in the Appendix attached to this Order.<sup>4</sup> The Commission emphasizes the importance for Appalachian to provide the detailed information in its Annual Report of Affiliate Transactions ("ARAT") as specified in the Appendix.

Accordingly, IT IS ORDERED THAT:

- (1) Pursuant to Code § 56-77, the Company is hereby granted approval of the Agreements subject to the requirements set forth in the Appendix attached hereto.
- (2) This case is dismissed.

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<sup>2</sup> See *Application of Appalachian Natural Gas Distribution Company and Cardinal Natural Gas Company, For authority to enter into affiliate agreements to provide and receive corporate and operational services under Chapter 4, Title 56 of the Code of Virginia*, Case No. PUR-2019-00063, 2019 S.C.C. Ann. Rept. 422, Order Granting Authority (May 23, 2019).

<sup>3</sup> See Application at 4.

<sup>4</sup> The Staff action brief was provided to the Applicants for comment and the Applicants had no comments thereon. See Staff's action brief filed concurrently with this Order at page 2.

A COPY hereof shall be sent electronically by the Clerk of the Commission to all persons on the official Service List in this matter. The Service List is available from the Clerk of the Commission.

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## APPENDIX

- 1) The Commission's approval of the Agreements shall extend for five (5) years from the effective date of the order in this case. If Appalachian wishes to continue under the Agreements beyond that date, separate Commission approval shall be required.
- 2) The Commission's approval shall have no accounting or ratemaking implications.
- 3) The Commission's approval shall be limited to the corporate services ("Corporate Services")<sup>5</sup> and operational services ("Operational Services")<sup>6</sup> specifically described in Appalachian's Responses to Staff Data Requests 1-1 and 1-2. If Appalachian wishes to provide or receive additional services from CNG not specifically identified and described in the Agreements, separate Commission approval shall be required.
- 4) Any affiliate employee that provides construction or maintenance-related service to Appalachian under the Agreements shall be qualified in accordance with Appalachian's Operator Qualification Program.
- 5) In the event that the Commission directs Appalachian in a future base rate case to make any changes to its allocation methodologies that affect the Agreements, the Applicants shall file with the Commission amended Agreements incorporating such changes within ninety (90) days of the final order in that base rate case.
- 6) Separate Commission approval shall be required for Appalachian to provide Corporate Services or Operational Services or to receive Corporate Services or Operational Services from other affiliated third parties under the Agreements.
- 7) Appalachian shall be required to maintain records demonstrating that the Corporate Services provided to CNG and the Operational Services received from CNG are at fully distributed cost and are cost beneficial to Virginia ratepayers.
- 8) The Commission's approval granted in this case shall not preclude the Commission from exercising its authority under Code § 56-76 *et seq.*, hereafter.

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<sup>5</sup> See Appalachian Response to Staff Data Request 1-1, attached to Staff's action brief filed concurrently with this Order. The Corporate Services include (1) executive management; (2) supervision and oversight of compliance, safety, public awareness and integrity management programs; (3) supervision of accounting and financial reporting; (4) general ledger accounting; (5) property accounting and reporting; (6) accounts payable; (7) regulatory reporting and compliance, including rate filings; (8) gas procurement; (9) equipment procurement; and (10) maintenance of public awareness and integrity management data.

<sup>6</sup> See Appalachian Response to Staff Data Request 1-2, attached to Staff's action brief filed concurrently with this Order. The Operational Services include (1) distribution operations and maintenance services; (2) supplies and parts inventory services; (3) access to necessary tools and equipment; (4) customer accounts services, including meter reading and on-site customer service representatives; and (5) compliance and safety record maintenance services. Cardinal will designate the personnel, tools, and equipment necessary to perform all operational functions.

- 9) Separate Commission approval shall be required for any changes in the terms and conditions of the Agreements.
- 10) The Commission reserves the right to examine the books and records of Appalachian and any affiliate in connection with the approval granted in this case, whether or not such affiliate is regulated by the Commission.
- 11) Appalachian shall file signed and executed copies of the approved Agreements within thirty (30) days after the effective date of the Agreements, subject to administrative extension by the Director of the Division of Utility Accounting and Finance ("UAF Director").
- 12) Appalachian shall include all transactions associated with the Agreements in its ARAT submitted to the UAF Director on May 1 of each year, subject to administrative extension by the UAF Director. The ARAT shall:
  - (a) List the latest case number in which the Agreements were approved;
  - (b) List Appalachian, the affiliate(s), and the Corporate Services provided and the Operational Services received; and
  - (c) Include schedule(s) in Excel electronic spreadsheet format with formulas intact, listing the prior year's services provided and received by month, type of service, Federal Energy Regulatory Commission account, and dollar amount (as the transactions are recorded in Appalachian's books).