

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. G-9, SUB 698**

In the Matter of:)	
Application of Piedmont Natural Gas)	NCSEA’S REPLY
Company, Inc. for Approval of Appendix F)	COMMENTS
to its North Carolina Service Regulations)	

NCSEA’S REPLY COMMENTS

Pursuant to the North Carolina Utilities Commission’s (“Commission”) January 12, 2017 *Order Requesting Comments* and February 3, 2017 *Order Granting Extension of Time*, the North Carolina Sustainable Energy Association (“NCSEA”) submits the following reply comments regarding the application of Piedmont Natural Gas Company, Inc. (“Piedmont” or “PNG”) for approval of Appendix F to its North Carolina service regulations, which would set forth the terms and conditions under which Piedmont would accept and receive “Alternative Gas” onto its system. NCSEA submits the following reply comments in response to the comments of the North Carolina Utilities Commission – Public Staff (“Public Staff”), the North Carolina Pork Council (“NCPC”), the Coalition for Renewable Natural Gas (“RNG Coalition”), and Enerdyne Power Systems, Inc. (“Enerdyne”).

I. THE SOURCES USED BY PIEDMONT TO DRAFT PROPOSED ALTERNATIVE GAS REQUIREMENTS DO NOT FIT THE UNIQUE CHARACTERISTICS OF NORTH CAROLINA.

When drafting the proposed Alternative Gas Quality Standards, Piedmont relied on five sources of information: (1) Duke Energy Ohio’s standards for landfill gas, (2) the American Gas Association, (3) the Gas Technology Institute, (4) the California Environmental Protection Agency’s Air Resources Board, and (5) the standards of pipelines serving Piedmont. *See, NCSEA’s Comments*, p. 5. While the sources relied on by

Piedmont may generally be reliable, such sources are not entirely applicable to Alternative Gas Quality Standards in North Carolina. Reliance on such standards is problematic for North Carolina standards.

- a. The Public Staff incorrectly concluded that the Alternative Gas Quality Standards proposed by Piedmont were derived from reliable sources.

In its initial comments, the Public Staff wrote that its “review of the Alternative Gas Quality Standards proposed by Piedmont indicates that they are derived from reliable sources, including the American Gas Association, the Gas Technology Institute, and the California Environmental Protection Agency’s Air Resources Board.” *Comments of the Public Staff*, p. 4.

As discussed in NCSEA’s initial comments, NCSEA respectfully disagrees with the Public Staff that, in this instance, the California Environmental Protection Agency’s Air Resource Board is a reliable source. As was noted by NCPC in their initial comments, no renewable biogas projects have been completed in California since the California Public Utilities Commission adopted standards for biogas injected into common-carrier pipelines in 2014. *Comments by the North Carolina Pork Council*, pp. 4-5. Additionally, as was noted in NCSEA’s initial comments, in September 2016, the California legislature directed state agencies to revisit the rules and directed the California Public Utilities Commission to reevaluate the requirements and standards of the rules. *NCSEA’s Comments*, p. 5-6; *See also*, 2015 Cal. Stat. Ch. 341, § 11 (a) and (c).

Furthermore, reliance on Duke Energy Ohio’s standards for landfill gas is inappropriate when developing a standard for the injection of all forms of renewable biogas. PNG’s standard must accommodate all forms of renewable biogas, not just landfill gas. In fact, the project that triggered PNG’s decision to file for approval of the proposed

standards is not a landfill gas project, but rather is a swine gas project. *See, Application of Piedmont Natural Gas Company, Inc. for Approval of Receipt Interconnection Agreement with C2e Renewables NC*, Docket No. G-9 Sub 699 (December 6, 2016). The overreliance on Duke Energy Ohio's standard for the injection of landfill gas may inadvertently harm the ability of other forms of renewable biogas to inject into Piedmont's system.

- b. The RNG Coalition correctly asserted that Piedmont's Petition relied too heavily on California's unworkable standard.

The RNG Coalition concluded that California's standard has been proven to be unworkable for the developers of alternative gas projects. *Comments of Coalition for Renewable Natural Gas*, p. 8. Similar to other intervenors in this docket, including NCSEA, the RNG Coalition notes that "[d]espite a great volume of prime waste resources, no new project are injecting RNG into common carrier pipelines in [California]." *Id.* Additionally, the RNG Coalition points out that California's standard was re-opened for review and potential adjustment by the legislature in September 2016. *Id.* *See also*, 2015 Cal. Stat. Ch. 341, § 11 (a) and (c). Finally, the RNG Coalition is rightly concerned that Piedmont's "wholesale adoption of a table for 'constituents of concern' [is] without rational basis." *Comments of Coalition for Renewable Natural Gas*, p. 8. NCSEA agrees with the RNG Coalition that Piedmont has not shown sufficient evidence to prove to the Commission that their proposed standard has a rational basis.

- c. The NCPC correctly concluded that Piedmont's proposed standards were based upon insufficient data and information.

As noted by the NCPC, California's standard "turned out to be burdensome and unnecessarily stringent." *Comments by the North Carolina Pork Council*, p. 4. Additionally, NCPC notes that no new biogas projects have interconnected to California's

pipelines since the adoption of that state’s pipeline standard. *Id.*, p. 5. Piedmont’s proposed standard relied, in part, on California’s standard, which “stifled development and . . . is now being reconsidered because of the adverse impact it has on the industry.” *Id.*, p. 7. Therefore, the NCPC concluded that Piedmont’s reliance on California’s standard is not crafted to allow new biogas projects to connect to PNG’s pipelines. NCSEA agrees with NCPC’s conclusion.

II. PIEDMONT’S PROPOSAL INCLUDES DUPLICATIVE REQUIREMENTS.

Piedmont’s proposed standard requires both pre-injection testing of the Alternative Gas and the installation of in-pipeline monitoring equipment. While NCSEA agrees that testing of Alternative Gas is necessary, Piedmont’s proposed standard includes duplicative requirements by necessitating both pre-injection testing and in-pipeline monitoring. The duplicative testing requirements place an undue and expensive burden on Alternative Gas suppliers. By being required to pay for both in-pipeline facility monitoring equipment and pre-injection laboratory testing, Piedmont’s proposed standard forces North Carolina’s burgeoning renewable biogas industry to pay twice to demonstrate that their product is safe for pipeline injection.

- a. The Public Staff wrongfully agrees with Piedmont that both pre-injection testing and in-pipeline monitoring are necessary.

In its comments, the Public Staff supports both pre-injection testing as well as in-pipeline monitoring of alternative gas. “The Public Staff agrees that [the] remote [shut-off] functionality is appropriate, particularly due to unknown operating issues that may be caused by the injection of Alternative Gas.” *Comments of Public Staff*, p. 5. NCSEA believes that the requirement of remote shut-off functionality is unnecessary if pre-

injection testing is effective; conversely, pre-injection testing is unnecessary, or should be less burdensome, if remote shut-off functionality effective. If the Commission finds that testing and remote shut-off must occur, then NCSEA proposes testing for a specific constituent to be discontinued after a certain number of consecutive tests have failed to find the constituent in unacceptable amounts in the renewable biogas being supplied. Similarly, the RNG Coalition has proposed “lab testing should move to annual, and not quarterly.” *Comments of Coalition for Renewable Natural Gas*, p. 9. While the RNG Coalition’s proposal to reduce testing frequency also reduces the cost burden placed on Alternative Gas suppliers, NCSEA believes that Alternative Gas suppliers will still be unduly burdened, and believes that all duplicative testing and monitoring should be avoided in any Alternative Gas pipeline standard.

- b. The NCPC accurately concluded that high testing costs and rigid constituent controls will negatively impact biogas projects and potentially prevent projects from being developed.

The NCPC pointed out that the testing regime proposed by Piedmont is rigorous, redundant and expensive. Since “[r]enewable natural gas projects continuously monitor for specific compounds with on-site analyzing equipment” and “Piedmont’s gas control center also is able to remotely shut off gas supply volumes from producers should problems with gas quality arise[,]” the NCPC believes that the extensive on-going testing required is redundant and unnecessary. *Comments by the North Carolina Pork Council*, pp. 7-8.

Additionally, the NCPC “is concerned . . . that the proposed Appendix F may be unnecessarily stringent in some areas and could hinder growth in the biogas sector. As currently drafted, all but a few very large aggregators would be able to consistently absorb the costs to meet the gas constituent quality, testing and monitoring requirements in

Appendix F while remaining economically viable.” *Id.*, p. 6. NCSEA agrees that any Alternative Gas standard adopted should not burden the Alternative Gas supplier or the biogas sector industry.

Finally, the NCPC suggests that “the Commission order the Public Staff to convene a stakeholders meeting with the express purpose of developing a standard governing the obligation of a local distribution company in North Carolina to receive, transport and deliver biogas.” *Id.*, p. 8. The NCPC encourages the Commission to develop a “standard that is tailored to biogas derived from swine waste, that limits the cost of access and testing that is cognizant of the State’s policies [to] promote and prevent conflict with existing State policies.” *Id.*, p. 13. NCSEA agrees with the NCPC, and believes that a stakeholder process to develop an appropriate Alternative Gas standard would allow North Carolina’s burgeoning biogas industry to grow.

- c. Enerdyne appropriately warns the Commission regarding the testing requirements proposed in Piedmont’s proposed standards.

Enerdyne advises the Commission that “if initial testing reveals that such constituents are not present in RNG, there should be no requirement for further testing or any monitoring for such.” *Comments of Enerdyne Power Systems, Inc.*, p. 9. If the Commission believes that pre-injection testing is necessary, then NCSEA supports Enerdyne’s proposal that testing requirements be limited to only situations in which constituents are found.

CONCLUSION

As Enerdyne noted, North Carolina’s Renewable Energy and Energy Efficiency Portfolio Standard (“REPS”) requires electric power suppliers to obtain certain amounts of their electricity from swine waste and poultry waste resources. *Id.*, p. 3. *See also*, N.C. Gen.

Stat. § 62-133.8(e) and (f). The adoption of a pipeline standard for Alternative Gas will aid North Carolina's electric power suppliers in complying with their swine waste and poultry waste set-aside obligations. As mentioned in NCSEA's initial comments, given the similar chemical constituents in natural gas and renewable biogas, and the lack of evidence of the differences between natural gas and renewable biogas, PNG has not demonstrated to the Commission that its proposed standard is the least burdensome way to accept renewable biogas. *NCSEA's Comments*, p. 4. NCSEA supports pipeline standards that would enhance the ability of electric public utilities to comply with the REPS' set-aside obligations while not impacting rates for natural gas customers.

NCSEA supports the adoption of appropriate pipeline standards for renewable biogas because standards would provide market certainty for developers of renewable biogas projects. However, NCSEA believes that the standards proposed by Piedmont are unduly burdensome and should be modified before they are approved by the Commission, specifically through a stakeholder process. NCSEA requests that the Commission take its initial comments and these reply comments into consideration when examining Piedmont's proposal, and prays that the Commission direct Piedmont to amend its proposed renewable biogas pipeline standards to address the issues raised in NCSEA's comments and these reply comments.

Respectfully submitted, this the 13th day of March, 2017.

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CERTIFICATE OF SERVICE

I hereby certify that all persons on the docket service list have been served true and accurate copies of the foregoing Comments by hand delivery, first class mail deposited in the U.S. mail, postage pre-paid, or by email transmission with the party's consent.

This the 13th day of March, 2017.

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