

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. G-9, SUB 735

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application of Catawba Biogas, LLC for) ORDER APPROVING
Approval to Participate in Alternative) PARTICIPATION IN PILOT
Gas Pilot Program) PROGRAM WITH CONDITIONS

BY THE COMMISSION: On June 19, 2018, the Commission issued an Order Approving Appendix F and Establishing Pilot Program (Appendix F Order) in Docket No. G-9, Sub 698. In summary, the Appendix F Order approved a three-year pilot program to implement Appendix F to the Service Regulations of Piedmont Natural Gas Company, Inc. (Piedmont), subject to the requirement that Piedmont provide the Commission additional information within 60 days. Appendix F sets guidelines for Piedmont's receipt of Alternative Gas for delivery and redelivery on Piedmont's distribution system. The Commission had previously entered orders, in Docket Nos. G-9, Subs 699 and 701, approving receipt interconnect agreements by Piedmont with C2e Renewables NC and Optima KV, LLC, respectively, for delivery of Alternative Gas to Piedmont. The Appendix F Order authorized C2e and Optima KV to participate in the pilot program. In addition, on August 27, 2018, in Docket No. G-9, Sub 726, the Commission issued an order allowing Optima TH, LLC, to participate in the pilot program.

With regard to additional participants in the pilot program, the Appendix F Order provides that "Piedmont and/or other Alternative Gas suppliers may apply to the Commission to participate in the pilot program; however, it must be demonstrated to the Commission that such additions will be useful in gathering information and data sought by the Commission." Appendix F Order, p. 5.

On December 7, 2018, in Docket No. G-9, Sub 735, Catawba Biogas, LLC (Catawba) filed an application requesting to participate in the pilot program created by the Appendix F Order. In summary, Catawba stated that it plans to interconnect with Piedmont and provide Alternative Gas to Piedmont from Catawba's biogas facility to be located in Anson County, North Carolina. Further, Catawba stated that its Alternative Gas will be derived from the anaerobic digestion of 100% poultry litter to be collected from over 250 boiler chicken houses. Catawba also stated that it plans to sell a portion of the Alternative Gas and its environmental attributes to Duke Energy Carolinas, LLC (DEC) for DEC and as an agent on behalf of Duke Energy Progress, LLC (DEP). In addition, Catawba stated that it had informed Piedmont, DEC and DEP of its application to participate in the pilot program, and that it has received no objections from those parties.

Catawba stated that it has contracted with a large number of farmers to collect and manage their poultry litter, that it has secured a long-term lease for its facility's site, and that it is actively working to finalize contracts with Piedmont and DEC. Catawba noted

that the Alternative Gas produced by its facility will flow into Piedmont's pipeline adjacent to an existing natural gas electric generation facility owned by the North Carolina Electric Membership Corporation (NCEMC), and operated and dispatched by DEC. Moreover, Catawba stated that the unique location and feed stock of its facility will provide useful information and data on the potential impacts of Alternative Gas on upstream and downstream pipelines and infrastructure. Finally, Catawba stated that it is committed to meeting the requirements of the Appendix F standards and any subsequent Commission orders.

On January 4, 2019, the Commission issued an Order Requesting Additional Information that required Catawba to provide information in response to six questions within 30 days.

On January 22, 2019, Catawba made a Supplemental Filing that included additional information in response to the first four Commission questions. In summary, Catawba's responses provided the address and number of acres of the project site, the address of the NCEMC generating plant located near the project site, and the location of the proposed interconnection point of Catawba's facility with Piedmont's pipeline. With respect Commission questions five and six, Catawba stated that Piedmont considered the response to those questions to be confidential, and that Piedmont would file a separate response.

On January 22, 2019, Piedmont filed under seal as proprietary information its responses to Commission questions five and six concerning the size and operating pressure of Piedmont's pipeline at the proposed interconnection point, and the current winter and summer volumes and direction of flow on Piedmont's line at the proposed interconnection point.

On January 28, 2019, the Public Staff filed a letter stating that it reviewed Catawba's application and the additional information filed herein, and that it has no objection to Catawba participating in the Appendix F pilot program, subject to the Commission's approval of a receipt interconnect agreement between Catawba and Piedmont.

Based on the foregoing and the record, the Commission finds and concludes that Catawba's facility will assist Piedmont and the Commission in gathering information and data that will be helpful in assessing the impacts of Alternative Gas on Piedmont's service to its customers. In particular, the Commission finds persuasive the fact that Catawba's facility will use 100% poultry litter as its feedstock, a feedstock that is different from that used or to be used by C2e, Optima KV, and Optima TH. In addition, the Commission views Catawba's agreement to comply with the standards of Appendix F, and any revisions to Appendix F and the Commission's Rules, as reasonable assurance of the safe and secure receipt and transport of Catawba's Alternative Gas on Piedmont's system.

The Commission further notes that in previous dockets involving Alternative Gas interconnect agreements the Public Staff raised an issue regarding the potential federal

income tax implications of Piedmont's receipt of capital payments from the Alternative Gas suppliers. As a result, the Commission included the following conditions in the approval orders: (1) Piedmont's ratepayers will be held harmless if Piedmont is required to pay income taxes on capital payments made by the suppliers to Piedmont, and (2) the Commission's approval of participation in the pilot program and/or interconnect agreements was without prejudice to the right of any party to take issue with the ratemaking treatment of revenues and costs related thereto in an appropriate proceeding. The Commission finds and concludes that these two conditions should be included as part of its approval of Catawba's participation in the Appendix F pilot program.

IT IS, THEREFORE, ORDERED as follows:

1. That the Commission hereby approves the participation of Catawba Biogas, LLC, in the Piedmont Appendix F Alternative Gas pilot program, subject to Catawba and Piedmont entering into an interconnect agreement to be approved by the Commission.

2. That Catawba's participation in the pilot program, as well as any subsequent Alternative Gas agreements with Piedmont, shall be subject to any revisions to Piedmont's Alternative Gas guidelines that may be made by the Commission, and applicable amendments to the Commission's Rules.

3. That Piedmont's ratepayers shall be held harmless if Piedmont is required to pay income taxes on any capital payments made by Catawba to Piedmont.

4. That the Commission's approval of Catawba's participation in the pilot program is without prejudice to the right of any party to take issue in an appropriate proceeding with the ratemaking treatment of the revenues and costs associated with Catawba's participation.

ISSUED BY ORDER OF THE COMMISSION.

This the 4th day of February, 2019.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in blue ink, appearing to read "Janice H. Fulmore".

Janice H. Fulmore, Deputy Clerk