

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. M-100, SUB 163

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)
Investigation Regarding the Ability of North)
Carolina's Electricity, Natural Gas, and)
Water/Wastewater Systems to Operate Reliably)
During Extreme Cold Weather)
)

**COMMENTS OF
PIEDMONT NATURAL GAS
COMPANY, INC.**

Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company"), pursuant to the North Carolina Utilities Commission's ("Commission") May 12, 2022 *Order Requesting Comments* ("May 12 Order"), respectfully submits the following Comments in this proceeding. In support of this filing, Piedmont shows the Commission the following:

1. Any notices or other communications with respect to this filing should be sent to:

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2. Piedmont is a subsidiary of Duke Energy Corporation and is engaged in the business of transporting, distributing, and selling natural gas in the states of North Carolina, South Carolina, and Tennessee. Piedmont is a public utility under the laws of this State, and its public utility operations in North Carolina are subject to the jurisdiction of this Commission.

PROCEDURAL HISTORY OF THIS DOCKET

3. On January 26, 2022, the Commission issued an Order establishing this proceeding to investigate whether North Carolina's major electricity, natural gas, water, and wastewater utilities have taken appropriate steps to assure reliable operations during extreme cold weather events ("January 26 Order"). This investigation was prompted by the outages and rolling blackouts that occurred in Texas and other parts of the country in February of 2021 due to Winter Storm Uri. Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, LLC ("DEP") (collectively, "Duke"), Dominion Energy North Carolina ("DENC"), Piedmont, Public Service Company of NC, Inc. ("PSNC"), Frontier Natural Gas Company ("Frontier"), Aqua North Carolina, Inc. ("Aqua"), and Carolina Water Service, Inc. of North Carolina ("Carolina Water") were made parties to the proceeding and were ordered to respond in writing to a series of questions, and to appear before the Commission at technical conferences to present that information and to respond to follow-up questions from the Commission and the Public Staff – North Carolina Utilities Commission ("Public Staff").

4. On February 23, 2022, Piedmont and the other utilities filed their responses to the Commission's enumerated questions in Appendix A of the Commission's January 26 Order.

5. On March 29, 2022, the Public Staff issued discovery questions to the participating utilities. Piedmont produced its responses to Public Staff on April 8, 2022 and filed copies of those responses in the docket on April 11, 2022.

6. On April 19, 2022, DENC, Duke, Piedmont, PSNC and Frontier appeared before the Commission at a technical conference and presented their responses to the questions posed in the January 26 Order and answered additional questions from the Commission and Public Staff, who also participated in the conference.

7. On April 20, 2022, Piedmont, DENC, PSNC, and DEC and DEP filed copies of their presentations before the Commission and Public Staff at the technical conference held on April 19, 2022.

8. DEC and DEP and PSNC filed supplemental information responsive to questions received at the technical hearings on April 29, 2022 and May 9, 2022, respectively.

9. On May 12, 2022, the Commission issued its May 12 Order Requesting Comments directing parties to address the question of whether the Commission's rules require revision in order to ensure reliable utility operations during extreme cold weather.

COMMENTS

10. In response to the May 12, 2022 Order, Piedmont hereby submits the following comments on the issue as to whether the Commission's Rules require revision to ensure reliable utility service. Piedmont's comments are focused on the viability of the Commission's current natural gas utility curtailment regime set forth in Commission Rule R6-19.2 (Curtailment of Service) and whether that Rule requires revision in order to ensure reliable utility operations during extreme cold weather in a manner consistent with Commission and customer expectations.

11. Commission Rule R6-19.2 currently specifies the manner in which curtailment of natural gas service shall occur in circumstances where Piedmont (or another North Carolina natural gas utility) is unable to serve all of its firm customers. The Rule provides that in such eventuality, "the utility shall curtail the customers paying the least margin per dekatherm first." Rule R6-19.2 goes on to describe how gas utilities are to handle curtailments in geographically limited areas, partial curtailments within the same rate classes, and curtailments of municipal service. The Commission Rule also establishes, for the sake of clarity, certain priority classes for curtailment purposes (based on the curtailment by margin approach) that utilities may incorporate into their tariffs. Finally, the Rule establishes the right of the Commission to switch from curtailment by margin to curtailment by priority of use upon notice and opportunity for comment to the Public Staff, Attorney General and the impacted gas utilities.

12. In compliance with the Commission's invitation to review its Rules for possible changes relating to reliability of service, Piedmont has reviewed Rule R6-19.2

and has some observations and suggested changes to the Rule which are reflected on Exhibit A hereto and discussed below.

13. The first suggested revision to Commission Rule R6-19.2 is the addition of language to subparagraph (a) thereof which clarifies that interruptible customers are the lowest priority of service and that interruptible customers will be curtailed before service is curtailed to any firm customer. Piedmont believes that this prioritization is implicit in the Commission's Rules but that clarity would be served by making it explicit.

14. The second suggested change in Commission Rule R6-19.2 is the addition of the phrase "to the extent practicable" to subparagraph (a) as a modifier to the utility's obligation to prioritize curtailment by margin. Piedmont does not have immediate perfect control over customer demands on its system, i.e. Piedmont cannot turn service to every customer on and off remotely. For the vast majority of customers, involuntary curtailment would involve physically turning valves at customer locations. With close to a million customers in North Carolina, this physical curtailment approach is simply not workable as a general strategy. Instead, Piedmont relies on customers – particularly lower margin industrial and commercial customers – to comply with directives to curtail service in extreme circumstances. There are far fewer of these customers on Piedmont's system than the higher margin residential customers and if physical termination of service were necessary, where for example one or more of these customers ignored a directive to curtail their use of natural gas, then achieving physical turn off of these customers is far more possible. Further, the specific nature and cause of a curtailment on any given day might mean that within Piedmont's system some

residential customers may need to be curtailed whereas other lower margin customers may not. This is most likely where the cause of curtailment is geographically limited in scope. Under these facts, however, it is possible that in some circumstances a strict application of curtailment by margin may not be possible or even necessary. In light of this reality, Piedmont proposes to add the phrase “to the extent practicable” to the curtailment by margin directive to recognize this reality.

15. The next proposed change to Commission Rule R6-19.2 is to expand the applicability of subsection (e) to include military gas systems for the reason that such systems, like municipalities, may have multiple categories of customers served from the military system facilities.

16. Piedmont also proposes to add the phrase “to the extent practicable” to subsection (e) of Rule R1-19.2 to allow for the fact that Piedmont has neither sufficient knowledge nor the legal rights necessary to control gas usage by customers served by municipal and military gas distribution systems. Specifically, while subsection (e) of the Rule anticipates curtailment based on the total margin paid by these customers – Piedmont has no knowledge of or control over what municipalities served by Piedmont charge for gas service to their end use customers or what the underlying margin component of those rates might be. As such, Piedmont has no practical way to implement this prioritization metric unless the municipality provides this information to Piedmont. Even then, Piedmont has no practical way to monitor or enforce compliance with curtailment priorities behind municipal or military systems other than informing the impacted municipality or military system of the need for curtailment generally and the current level of curtailment on Piedmont’s system. An alternative

prioritization scheme for these customers would be for Piedmont to curtail the municipality or military system on the basis of the margin they pay to Piedmont but that approach is not currently anticipated by the Rule. In light of the difficulties inherent in implementing Commission Rule R6-19.2(e)'s prioritization for municipal customers, Piedmont suggests that the addition of the caveat "to the extent practicable" on the obligation to utilize that prioritization is appropriate.

CONCLUSION

WHEREFORE, Piedmont respectfully requests that the Commission accept its Comments on possible revisions to Commission Rule R6-19.2 as set forth herein.

Respectfully submitted this 29th day of June, 2022.

Piedmont Natural Gas Company, Inc.

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EXHIBIT A

Rule R6-19.2. CURTAILMENT OF SERVICE.

(a) In the event that a North Carolina retail gas utility cannot supply the demands of all its customers, the utility shall curtail the interruptible service class of customers paying the least margin per dekatherm first. Should additional natural gas demand reductions be needed on the utility's natural gas system after curtailing all interruptible customer loads, the utility shall then, to the extent practicable, curtail the firm service class of customers paying the least margin per dekatherm first. This general curtailment by margin protocol for a gas utility shall apply to all its customers, be they transportation customers, regular sales rate customers, municipal customers or otherwise. However, if operating conditions require some interruption of service to a particular geographical area instead of a utility's entire system, then curtailment by margin should be applied to the extent practicable only to those customers within the affected area(s).

(b) If it is necessary to interrupt some but not all customers paying the same margin per dekatherm, then, to the extent practicable, service shall be curtailed to the customers paying the same margin per dekatherm on a pro rata basis for the season.

(c) For the convenience of wording in tariffs, the following definitions of priorities by end use will be retained. However, these priorities are not to be used for purposes of curtailment priorities unless the Commission so orders pursuant to section (d) below.

(i) Priority 1. Residential. Essential Human Needs With No Alternate Fuel Capability. Commercial less than 50 Mcf/day.

1.1 Residential requirements and essential human needs with no alternate fuel capability.

1.2 Commercial less than 50 Mcf/day.

Priority 2. Industrial Less Than 50 Mcf/day. Process, Feedstock and Plant Protection With No Alternate Fuel Capability. Large commercial requirements of 50 Mcf or more per day except for large commercial boiler fuel requirements above 300 Mcf/day.

2.1 Industrial less than 50 Mcf/day.

2.2 Commercial between 50 and 100 Mcf/day.

2.3 Commercial greater than 100 Mcf/day, non boiler use.

2.4 Commercial greater than 100 Mcf/day, with no alternate fuel capability.

2.5 Industrial process, feedstock and plant protection between 50 and 300 Mcf/day, with no alternate fuel capability.

2.6 Industrial process, feedstock and plant protection between 300 and 3,000 Mcf/day, with no alternate fuel capability.

2.7 Industrial process, feedstock and plant protection greater than 3,000 Mcf/day, with no alternate fuel capability.

2.8 Commercial over 100 Mcf/day (excluding commercial Priorities 2.3 and 2.4 and commercial boiler fuel requirements over 300 Mcf/day).

Priority 3. All other industrial requirements not greater than 300 Mcf per day.

3.1 Industrial non boiler between 50 and 300 Mcf per day.

3.2 Other industrial between 50 and 300 Mcf per day.

Priority 4. Non boiler use between 300 and 3,000 Mcf/day.

Priority 5. Non boiler use greater than 3,000 Mcf/day.

Priority 6. Boiler fuel requirements of more than 300 Mcf per day but less than 1,500 Mcf per day.

Priority 7. Boiler fuel requirements between 1,500 and 3,000 Mcf/day.

Priority 8. Boiler fuel requirements between 3,000 and 10,000 Mcf/day.

Priority 9. Boiler fuel requirements greater than 10,000 Mcf/day.

(ii) Definitions.

Residential: Service to customers which consists of direct natural gas usage in residential dwelling for space heating, air conditioning, cooking, water heating, and other residential uses.

Commercial: Service to customers engaged primarily in the sale of goods or services, including institutions and governmental agencies, for uses other than those involving manufacturing or electric power generation.

Industrial: Service to customers engaged primarily in a process which creates or changes raw or unfinished materials into another form or product, including the generation of electric power.

Plant Protection Gas: Minimum quantities required to prevent physical harm to the plant facilities or danger to plant personnel when such protection cannot be afforded through the use of an alternate fuel. This includes the protection of such material in process as would otherwise be destroyed but shall not include deliveries required to maintain plant production.

Feedstock Gas: Natural gas used as a raw material for its chemical properties in creating an end product, including atmospheric generation.

Process Gas: Gas use for which alternate fuels are not technically feasible such as in applications requiring precise temperature controls and precise flame characteristics.

Boiler Gas: Gas used as a fuel for the generation of steam or electricity, including the utilization of gas turbines for the generation of electricity.

Alternate Fuel Capability: A situation where the capability to burn a nongaseous fuel is actually installed.

Essential Human Needs: Hospitals, nursing homes, orphanages, prisons, sanitariums, and boarding schools, and gas used for water and sewage treatment.

Emergency Service: Service which if denied would cause shut down of an operation which in turn would result in plant closing.

Margin: Margin is defined as the filed tariff rate per unit of gas or negotiated rate per unit of gas of a customer, less the cost per unit of gas as determined in the Company's last general rate case or Purchased Gas Adjustment proceeding, adjusted for any temporary decrements or increments in the filed tariff rate.

(d) The Commission may change the curtailment priority system from one of curtailment by margin to curtailment by the end use characteristics listed in the priorities defined in section (c) above, if the Commission so orders, based on good cause shown, upon the Commission's own motion or petition of any interested party. Notice and opportunity to comment shall be given to all North Carolina retail gas utilities, the Public Staff, the Attorney General, and any other parties within the Commission's discretion before such change takes effect.

(e) For end users on the municipal gas systems and military gas systems served by Piedmont Natural Gas Company, Inc. (Piedmont), curtailment shall be on the basis of the combined margin they pay to the City and Piedmont (i.e., the rate the end user is paying to the City behind Piedmont's system rather than the rate the City is paying to Piedmont governs those customers' curtailment priority) to the extent practicable.

(f) During July and August of each year, consumption for each customer for the twelve-months ending June 30 of such year and the prior year shall be reviewed. If it is found that the customer has either increased or decreased his annual consumption based on the two prior years' consumption to the point it would place him in a different priority classification, the customer shall be automatically reclassified to the proper priority classification effective the following September 1. In determining consumption, periods of involuntary curtailment shall be excluded.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached is being served this date upon all of the parties to this docket electronically or by depositing a copy of the same in the United States Mail, First Class Postage Prepaid, at the addresses contained in the official service list in this proceeding.

This the 29th day of June, 2022.

/s/ Rebecca D. Olsen
Rebecca D. Olsen

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JUN 29 2022