

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. G-9, SUB 739

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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

BY THE COMMISSION: On June 19, 2018, in Docket No. G-9, Sub 698, the Commission issued an Order Approving Appendix F and Establishing Pilot Program (Appendix F Order). 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). Appendix F sets guidelines for Piedmont's receipt of Alternative Gas for delivery and redelivery on Piedmont's distribution system. With regard to 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.

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.

The Commission has approved participation in the pilot program by five Alternative Gas suppliers: C2e Renewables NC, in Docket No. G-9, Sub 699; Optima KV, LLC, in Docket No. G-9, Sub 701; Optima TH, LLC, in Docket No. G-9, Sub 726; GESS International North Carolina, Inc., in Docket No. G-9, Sub 728; and Catawba Biogas, LLC, in Docket No. G-9, Sub 735.

On January 4, 2019, in Docket No. G-9, Sub 739, Foothills Renewables LLC (Foothills) filed an application requesting to participate in the pilot program created by the Appendix F Order. Foothills stated that its Alternative Gas production facility will be located at the Foothills' Regional Municipal Solid Waste Landfill (MSWL) in Lenoir, Caldwell County, and that Foothills expects to begin construction of the facility imminently. Further, Foothills stated that it has entered into a landfill gas purchase and sale agreement with the owner and operator of the MSWL, that the landfill will supply 100% of the gas feedstock used by Foothills, and that Foothills' Alternative Gas will fully comply with the Appendix F standards.

Foothills stated that its facility will operate as a 2,750 standard cubic feet per minute landfill gas-fueled renewable natural gas project. In addition, Foothills stated that it plans to sell Alternative Gas to one or more counterparties having direct experience in the transportation, storage, and utilization of Alternative Gas (Purchasers), and who are also customers receiving service from Piedmont. Foothills noted that it has substantially agreed on terms with a Purchaser, and that Foothills and Purchaser are in final contract negotiations. In addition, Foothills stated that Purchaser plans to purchase its biogas in order to meet its obligations under the EPA Renewables Fuel Standard, and the policies of the State of North Carolina encouraging generation of renewable energy.

Foothills stated that it plans to interconnect with Piedmont's pipeline for transportation of the Alternative Gas to Purchaser. Foothills stated that it has engaged in extensive contract negotiations with Piedmont regarding a receipt interconnect agreement, that it is close to reaching an agreement in principle with Piedmont, and that Piedmont has no objection to Foothills' filing an application to participate in the pilot program. Moreover, Foothills stated that an injection point for its Alternative Gas in Connelly Springs, Burke County, has been selected, and that Piedmont is conducting engineering studies to determine the technical feasibility of receiving Foothills' Alternative Gas into its system at that location.

Foothills stated that its participation in the Appendix F pilot program will provide Piedmont and the Commission with useful data and information because: (1) Foothills' feedstock is different from that of the three facilities that had at that time been approved for participation in the pilot program, (2) Foothills' Alternative Gas will meet the Appendix F standards and will not impact the quality of service provided by Piedmont to its customers, and (3) landfill gas is an important potential source of Alternative Gas in North Carolina. Finally, Foothills cited several public policy considerations in support of its application, including assisting Purchaser to meet their renewable energy goals, Foothills' investment of approximately \$30 million in the Caldwell County economy, and Foothills' expenditure of substantial time and resources in the development of its project.

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

On February 8, 2019, the Commission issued an Order Requesting Additional Information that required Foothills to provide information in response to nine questions.

On April 2, 2019, Foothills filed its Response to Request for Additional Information in response to most of the Commission questions. In summary, Foothills' responses provided the address and number of acres of the project site, details of the landfill gas collection system, and the location and details of the proposed injection point of Foothills' Alternative Gas into Piedmont's pipeline. With respect to several Commission questions, Foothills stated that Piedmont considered the response to those questions to be

confidential, and that Piedmont would file a separate response.

On April 2, 2019, Piedmont filed under seal as proprietary information its responses to Commission questions concerning the equipment and security measures, the size and operating pressure of Piedmont's pipeline, and the current winter and summer volumes and direction of flow on Piedmont's pipeline at the proposed injection point.

Based on the foregoing and the record, the Commission finds and concludes that Foothills' 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 Foothills' facility will use 100% landfill gas as its feedstock, a feedstock that is different from that used or to be used by the five Alternative Gas suppliers that have been approved for participation in the pilot program. In addition, similar to GESS International North Carolina, Inc., Foothills will utilize trucks to transport its Alternative Gas from MSWL to an injection point on Piedmont's pipeline. The Commission views this feature of the Foothill's project as another opportunity to learn about the potential for selecting Alternative Gas interconnection sites as a means for balancing Piedmont's demand in a specific location or area with the supply to that location or area. Finally, the Commission views Foothills' 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 Foothills' 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 Foothills' participation in the Appendix F pilot program.

IT IS, THEREFORE, ORDERED as follows:

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

4. That the Commission's approval of Foothills' 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 Foothills' participation.

ISSUED BY ORDER OF THE COMMISSION.

This the 16th day of April, 2019.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in dark ink, appearing to read "Jan H. Ful", is centered below the commission name.

Janice H. Fulmore, Deputy Clerk

Chairman Edward S. Finley, Jr., and Commissioner Jerry C. Dockham did not participate in this decision.