

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

News Release

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**UTILITIES COMMISSION GRANTS CERTIFICATE WITH CONDITIONS
TO FRONTIER UTILITIES**

The North Carolina Utilities Commission issued an Order today granting Frontier Utilities of North Carolina, Inc. a Certificate of Public Convenience and Necessity to construct and operate a pipeline and distribution system to provide natural gas service to Surry, Watauga, Wilkes and Yadkin Counties. The certificate is subject to certain conditions that require Frontier to file further studies, designs, contractual arrangements and proposed rates within 90 days. A further hearing has been scheduled to determine whether these conditions have been met. That further hearing will be held in December 1995. If Frontier meets the conditions, an order will be issued at that time granting an unconditional certificate to Frontier and denying the competing application of Piedmont Natural Gas Company, Inc.

Frontier first applied for a franchise to provide natural gas service in the area on September 23, 1994. Piedmont filed a competing application on September 27, 1994. The Utilities Commission consolidated the two applications for hearing and held a public hearing in Wilkesboro on December 1, 1994, and a six-day hearing in Raleigh beginning January 31, 1995.

On June 19, 1995, the Commission issued an Order giving Piedmont an option to accept a certificate to serve the area if Piedmont would agree to a shorter construction schedule and use of traditional investor financing, rather than use of an expansion fund to finance part of the project. On July 10, 1995, Piedmont refused to change its financing plans and declined the option of a certificate on the conditions required by the Commission.

Following Piedmont's response, the Commission undertook a new evaluation of all the evidence presented by both of the applicants. That review led to the Order issued today. In today's Order, the Commission cited several factors that favor Frontier.

The Commission found that Frontier plans to provide service to approximately twice as many customers as Piedmont, that Frontier plans to make service available sooner than Piedmont, and that Frontier's proposal would result in more communities being served than Piedmont's proposal. By the end of the fifth year, Frontier estimates that it will serve 10,060 residential customers; 2,090 commercial customers; 500 poultry farm customers; and 20 industrial customers. Frontier plans to construct its transmission lines within the first year and to have most of its distribution lines in place within three years. In all, Frontier plans 718 miles of distribution lines. Frontier plans to serve more of the rural areas in the four counties.

Further, the Commission found that Frontier's plan to finance the project with capital provided by traditional investor financing is an important factor favoring Frontier. Piedmont contends that its proposal is not economically feasible with traditional financing, and its proposal to serve the area is contingent upon 30 percent or more of the capital being provided from an expansion fund. Frontier, on the other hand, contends that its proposal is economically feasible with traditional financing. The Commission concluded that an expansion fund should not be used when a reasonable and feasible alternative is available and that Frontier had presented sufficient evidence that its proposal is feasible and that it can successfully and reliably provide service to the four counties.

In the June 19, 1995 Order, the Commission found that Piedmont's present rates are lower than Frontier's anticipated rates and that this favored Piedmont. In today's Order, the Commission found that this advantage is offset by Piedmont's plans to serve fewer customers and communities than Frontier. The Commission stated, "Piedmont's lower rates would, in effect, benefit significantly fewer customers while many more in the Four-County area would be left with no service at all under Piedmont's proposal." The June 19 Order also cited Piedmont's experience as a factor in its favor. In today's Order, the Commission concluded that Frontier had presented sufficient evidence that Frontier can safely and reliably operate and maintain its natural gas system and that Frontier can reasonably expect to receive the commitments for firm gas supply and transportation necessary to provide dependable service to its customers.

The conditions attached to Frontier's certificate involve finalizing plans to serve the area. Neither Frontier nor Piedmont had finalized all studies, plans and arrangements necessary to serve the area at the time of the hearings. The Commission concluded that Frontier had done all that it could reasonably be expected to do at this stage of the proceedings and that Frontier should be given 90 days to finalize its plans. A further hearing will be held in December to review the further information to be filed by Frontier. If it is found adequate, an unconditional certificate will be issued to Frontier and Piedmont's competing application will be denied. If Frontier's information is found inadequate, another hearing will be held to determine whether a certificate should be issued to Piedmont.

One Commissioner dissented from today's Order.