

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. G-9, SUB 698
DOCKET NO. G-9, SUB 810

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-9, SUB 698

In the Matter of
Application of Piedmont Natural Gas Company,
Inc., for Approval of Appendix F to its North
Carolina Service Regulations

DOCKET NO. G-9, SUB 810

In the Matter of
Application of Cardinal Bio Energy, LLC to
Participate in Appendix F Pilot Program

ORDER APPROVING PARTICIPATION IN PILOT PROGRAM WITH CONDITIONS

BY THE COMMISSION: On June 19, 2018, in Docket No. G-9, Sub 698 (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, also referred to as renewable natural gas (RNG), 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, at 5.

On September 8, 2021, the Commission issued an Order that, among other things, extended the Appendix F pilot program for an additional three years.

The Commission has approved participation in the Appendix F pilot program by nine RNG 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; Catawba Biogas, LLC in Docket No. G-9, Sub 735; Foothills Renewables, LLC in Docket No. G-9, Sub 739; Align RNG North Carolina, LLC, d/b/a Align Renewable Natural Gas, in Docket No. G-9, Sub 764; Anson Gas Producers, LLC, in Sub 698; and INGENCO Wholesale Power, LLC in Sub 698. In addition, the Commission has approved all four RNG interconnect agreements with Piedmont that have been submitted to the Commission for approval.

On July 27, 2022, Cardinal Bio Energy, LLC (Cardinal), filed an application in the above-captioned dockets requesting to participate in the Appendix F pilot program. In summary, the application stated that Cardinal is a Delaware limited liability company and is an affiliate of Roeslein Alternative Energy, LLC (RAE), an alternative energy project developer, owner, and operator based in St. Louis, Missouri. Cardinal stated that RAE has over ten years of experience building and operating systems that capture swine farm lagoon gas (biogas) and process the biogas into RNG.

Cardinal stated that it is developing an RNG project that will serve 15 swine farms located near Maxton, North Carolina. Cardinal further stated that it plans to harvest biogas at the farms by collecting it in covered lagoons, injecting it into underground piping, and routing it to a common gas upgrading facility (GUF) located at one of the farms. The GUF process will purify the gas to meet the Appendix F gas quality standards, and Cardinal will transport the RNG to Piedmont via compressed natural gas (CNG) trucks for injection at an interconnection location and distribution on Piedmont's system. Cardinal stated that assuming both timely approval of Cardinal's application and construction of the interconnection facility, Cardinal expects to commence operations in late 2023.

In addition, Cardinal stated that it is evaluating the viability of three program expansion phases in the Maxton/Laurinburg area that, if launched, would incorporate as many as 28 additional farms. Cardinal contended that capturing swine farm gas, which consists mostly of methane that is generated by the decomposition of swine manure, and using it for RNG will help to significantly mitigate the groundwater contamination, odor, and carbon emission issues caused by storing swine waste in uncovered lagoons.

According to Cardinal, at the outset it will deliver up to 1,400 dekatherms per day (dth/day) of pipeline quality RNG to Piedmont's system, and eventually the amount may increase to a maximum of 6,000 dth/day. Cardinal stated that Piedmont and Cardinal have agreed on a proposed interconnection location and are currently negotiating a Receipt Interconnect Agreement (RIA). The RNG delivered to Piedmont by Cardinal for distribution will have been contracted for and sold to one or more counterparties that are Piedmont customers in North Carolina. Cardinal stated that it informed Piedmont that it was filing this application and that Piedmont stated it has no objection to the filing.

In support of its participation in the Appendix F pilot, Cardinal noted that at present there are only two projects delivering RNG to Piedmont from swine waste sources and that one of these suppliers produces RNG from swine waste and the other uses food processing waste. Cardinal asserted that its project would provide additional valuable data that will enhance the data and information available to the Commission and Piedmont because its project will use a unique hub-and-spoke delivery model and a proprietary biogas-upgrade technology process.

Cardinal stated that at full build out its project will result in approximately \$30 million invested in Robeson County, a Tier 1 County in need of economic development. Cardinal further stated that the project will provide jobs during construction and afterwards, support the local service industry, and increase the local tax base. Finally, Cardinal stated that it

has invested considerable time, energy, and resources in the project and that not proceeding, or waiting until the Appendix F pilot is concluded, would be financially detrimental to Cardinal, local subcontractors, vendors, and other businesses in North Carolina.

On July 29, 2022, the Public Staff filed a letter stating that it had reviewed Cardinal's application and has no objection to Cardinal participating in the Appendix F pilot program, subject to the Commission's approval of an RIA between Cardinal and Piedmont.

CONCLUSION

Based on the foregoing and the record, the Commission concludes that Cardinal's project is likely to assist the Commission and Piedmont in achieving the goals of the Appendix F pilot program by helping gather information and data that will be useful in assessing the impacts of RNG on Piedmont's infrastructure and service to its customers. As Cardinal noted, there are only two projects currently supplying RNG to Piedmont, Optima KV, LLC, and Optima TH, LLC. These two projects supply Piedmont with RNG from swine waste and animal/food processing waste, respectively. As Cardinal further stated, based on its projected initial volume of up to 1,400 dth/day of RNG, its facility will provide a significant volume of RNG to Piedmont and, consequently, could contribute materially to the amount of information and data about the impacts of swine-derived RNG on natural gas pipelines and natural gas quality. In addition, the Commission agrees with Cardinal that Cardinal's hub-and-spoke collection system, centralized swine gas upgrading facility, and CNG trucking approach are unique features that present promising RNG methodologies that could significantly advance North Carolina's efforts to find productive and environmentally sound uses of agricultural waste. As a result, the Commission finds good cause to approve the participation of Cardinal in the Piedmont Appendix F RNG pilot program, subject to Cardinal's compliance with the conditions stated in the Ordering Paragraphs below.

Finally, the Commission notes that in previous dockets involving RIAs, the Public Staff raised an issue regarding the potential federal income tax implications of Piedmont's receipt of capital payments from the RNG suppliers. Based on that concern, 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 concludes that these two conditions should be included as part of its approval of Cardinal's participation in the Appendix F pilot program.

IT IS, THEREFORE, ORDERED as follows:

1. That the Commission hereby approves the participation of Cardinal Bio Energy, LLC, in the Piedmont Appendix F renewable natural gas pilot program, subject to Cardinal and Piedmont entering into a receipt interconnect agreement to be approved by the Commission;
2. That Cardinal's participation in the pilot program, as well as any subsequent renewable natural gas agreements between Cardinal and Piedmont, shall be subject to any revisions to Piedmont's Appendix F 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 Cardinal to Piedmont; and
4. That the Commission's approval of Cardinal'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 Cardinal's participation.

ISSUED BY ORDER OF THE COMMISSION.

This the 23rd day of August, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in dark ink, appearing to read "Joann R. Snyder", is written over a light gray circular stamp that contains the text "NORTH CAROLINA UTILITIES COMMISSION".

Joann R. Snyder, Deputy Clerk