

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. G-9, SUB 764

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	ORDER APPROVING
Application of Align RNG North Carolina, LLC,)	PARTICIPATION IN PILOT
d/b/a Align Renewable Natural Gas, for)	PROGRAM WITH CONDITIONS
Approval to Participate in Piedmont Natural)	
Gas Company, Inc.'s Appendix F 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 six 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; Catawba Biogas, LLC in in Docket No. G-9, Sub 735; and Foothills Renewables, LLC in Docket No. G-9, Sub 739.

On January 17, 2020, in Docket No. G-9, Sub 764, Align RNG North Carolina, LLC, d/b/a Align Renewable Natural Gas (Align RNG) filed an application requesting to participate in the Appendix F pilot program. In summary, the application stated that Align RNG is a wholly owned subsidiary of Align RNG, LLC, a multi-state joint venture between Dominion Energy, Inc. and Smithfield Foods, Inc. with its principal place of business in Virginia, and that Dominion RNG Holdings, Inc., a Virginia corporation and unregulated subsidiary of Dominion Energy, Inc., and Murphy-Brown LLC, d/b/a Smithfield Hog Production, a subsidiary of Smithfield Foods, Inc., are equal owners of Align RNG, LLC.

Align RNG stated that it plans to construct Alternative Gas gathering facilities on 19 farms in Duplin and Sampson Counties to supply methane generated from swine manure for the production of Alternative Gas. Further, Align RNG stated that it will construct a centralized Alternative Gas upgrading facility located near the intersection of Old Courthouse Road and NC Hwy 24 between the Towns of Warsaw and Turkey, and approximately 30 miles of gathering pipeline to interconnect each participating farm to the centralized gas upgrading facility. The centralized gas upgrading facility will clean and convert the blended methane from each farm into Alternative Gas, which will be injected into Piedmont's transmission line. Align RNG stated that its Alternative Gas will not impact the quality of service provided by Piedmont to its customers. According to Align RNG, it has completed the design and financing of the facilities, and is in the final stages of the permitting required for commencement of construction. Align RNG stated that when the facilities are completed it plans to sell Alternative Gas to Duke Energy Carolinas, LLC (DEC) for itself and as an agent and on behalf of Duke Energy Progress, LLC (DEP). Align RNG further stated that its project will generate enough energy to power more than 3,500 homes annually, making it the largest Alternative Gas project in North Carolina. In addition, Align RNG stated that it will interconnect its centralized Alternative Gas upgrading facility with Piedmont's natural gas pipeline facilities to transport the Alternative Gas to DEC and DEP, and that DEC, DEP, and Piedmont have been informed of Align RNG's intent to file this application and have no objection to the application.

Align RNG contended that its project will be useful in gathering information and data sought by the Commission, and is different from the other Alternative Gas projects presently included in the pilot program, in five respects: (1) with 19 farms participating the project will provide information and data regarding variations or similarities in daily gas quantity; (2) the large volume—approximately 330,000 MMBTU—of Alternative Gas produced by Align RNG will provide information and data on potential impacts of large scale volumes to upstream pipelines and infrastructure; (3) the project's centralized gas upgrading facility will utilize a unique hydrogen sulfide removal system that will provide information and data on the impact of the composition and transportation of Alternative Gas on Piedmont's pipelines; (4) the project will provide further data to monitor and evaluate an additional receipt point to allow Piedmont to ensure that no customers are adversely impacted as Alternative Gas receipt points are added; and (5) Align RNG is ready to commence construction of its facilities, it plans to be commercially operational by November 1, 2020, and is in the final stages of negotiating a Receipt Interconnect Agreement with Piedmont. Align RNG opined that its advanced status is likely to result in a project that is operational and gathering information early in the pilot program.

In addition, Align RNG maintained that there are several public policy reasons to approve its participation in the Appendix F pilot program, including: (1) the project supports North Carolina's policy of encouraging renewable generation within the State, allows natural gas utilities the opportunity to diversify their fuel supply, and will play an important role in supporting Governor Cooper's climate change initiatives outlined in Executive Order 80; (2) DEC and DEP plan to purchase the Alternative Gas in order to comply with North Carolina's Renewable Energy and Energy Efficiency Portfolio Standard; (3) the project will provide a waste management solution that enhances

environmental protection of North Carolina's resources; (4) Align RNG's unique business model provides a new revenue stream for local North Carolina farmers by allowing them to make use of biomethane as an additional resource produced on their farms; and (5) Align RNG plans to invest approximately \$300 million in Duplin and Sampson Counties, which as Tier 1 Counties will benefit from this economic development.

Moreover, Align RNG stated that based on its design specifications the project will fully comply with the requirements of Piedmont's Appendix F. Finally, Align RNG requested that the Commission approve its participation in the Appendix F pilot program as expeditiously as possible.

On January 30, 2020, the Commission issued an Order Requesting Additional Information from Applicant and Public Staff Comments (Information Order), requiring Align RNG to provide information on or before February 28, 2020, in response to eight questions. In addition, the Information Order required the Public Staff to file by the same date its comments and recommendation as to whether Align RNG should be allowed to participate in the Piedmont Appendix F pilot program.

On February 13, 2020, Piedmont filed under seal as proprietary information its responses to the Commission's questions in the Information Order concerning the size and operating pressure of Piedmont's pipeline, and the current winter and summer volumes on Piedmont's pipeline at the proposed injection point.

On February 17, 2020, the Public Staff filed a letter stating that it reviewed Align RNG's application and has no objection to Align RNG participating in the Appendix F pilot program, subject to the Commission's approval of a receipt interconnect agreement between Align RNG and Piedmont.

On February 26, 2020, Align RNG filed its responses to the Commission's questions in the Information Order. In summary, Align RNG provided details of its Alternative Gas gathering and metering system, the location and details of the proposed injection point of its Alternative Gas into Piedmont's pipeline, and its position that its gathering lines will not be subject to the jurisdiction of the federal Pipeline and Hazardous Materials Safety Administration.

Based on the foregoing and the record, the Commission finds and concludes that Align RNG'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 Align RNG's project will involve the injection of a large volume of methane from swine waste generated at 19 farms located in two counties. As such, the size and scope of Align RNG's project is unlike any of the six projects approved thus far for participation in Piedmont's Alternative Gas pilot program, and should greatly increase the amount of information and data on the impacts of Alternative Gas on upstream pipelines and infrastructure. In addition, the unique hydrogen sulfide removal system at the project's centralized gas upgrading facility potentially will provide additional useful information on conditioning

Alternative Gas for pipeline use. Moreover, the Commission views Align RNG'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 Align RNG's Alternative Gas on Piedmont's system.

Finally, the Commission 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 Align RNG's participation in the Appendix F pilot program.

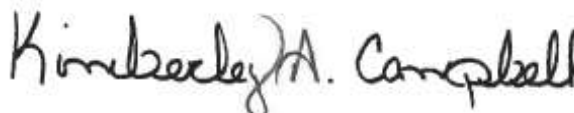
IT IS, THEREFORE, ORDERED as follows:

1. That the Commission hereby approves the participation of Align RNG in the Piedmont Appendix F Alternative Gas pilot program, subject to Align RNG and Piedmont entering into an interconnect agreement to be approved by the Commission;
2. That Align RNG'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 Align RNG to Piedmont; and
4. That the Commission's approval of Align RNG'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 Align RNG's participation.

ISSUED BY ORDER OF THE COMMISSION.

This the 3rd day of April, 2020.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Kimberley A. Campbell". The signature is written in a cursive, flowing style.

Kimberley A. Campbell, Chief Clerk