

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. G-9, SUB 728

In the Matter of

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| Application of GESS International North Carolina, |) | |
| Inc. for Approval to Participate in Pilot Program and |) | STATEMENT OF POSITION |
| for Approval of Receipt Agreements |) | |

On August 30, 2018, pursuant to the Commission's *Order Approving Appendix F and Establishing Pilot Program* issued in Docket No. G-9, Sub 698 on June 19, 2018 ("June 19 Order"), GESS International North Carolina, Inc. ("GESS") filed its *Application for Approval to Participate in Pilot Program in Docket No. G-9, Sub 698 and for Approval of Receipt Agreements* ("Application") in the above-captioned docket.

In the Application, GESS set forth its request to participate in the Pilot Program established by the Commission in the June 19 Order ("Pilot Program"), detailed its plans to construct several facilities in order to produce and deliver Alternative Gas to Piedmont at several injection points, and indicated that it had submitted applications to Piedmont Natural Gas Company, Inc. ("Piedmont") for Receipt Interconnect Agreements to effectuate those deliveries.

Piedmont has reviewed GESS' Application and believes that clarification of a number of the assertions contained therein is necessary in order to ensure that the context of GESS' Application is accurately stated.¹ Piedmont's clarifying comments, organized by subject, are set forth below:

¹ A number of the assertions made by GESS in its Application in this docket, which Piedmont contest, are repeated in GESS' application in Docket No. SP-13243, Sub 0. Piedmont believes clarification of those same assertions in Docket No. SP-13243, Sub 0 is necessary for the same reasons set forth herein.

I. Piedmont Has Not Designated Injection Points for Receipt of Any Quantity of Alternative Gas from GESS Production Facilities By the Means Set Forth in GESS' Application.

In its Application, in paragraph 12, GESS asserts that:

Piedmont has designated injection points on its lines within its pipeline system such that GESS will have corresponding injection sites located within ten (10) miles of all but one of the GESS project sites, with at least one injection site serving up to three GESS plants.

This statement is untrue. Piedmont has been in discussions with GESS about the possibility of injecting GESS produced Alternative Gas into Piedmont's system by the method outlined in GESS' Application. Piedmont has also been working on the evaluation of potential injection sites for GESS Alternative Gas but at this point has not made a determination as to the acceptability of specific injection sites. Piedmont has also not agreed with GESS as to the location of any such sites. In Piedmont's view, GESS could not be reasonably uncertain as to this status as the form of "Application for Receipt Interconnection of Alternative Gas" used by Piedmont, and submitted by GESS for its proposed interconnection points, specifically states on page 3 that:

Piedmont Natural Gas will utilize the information provided [in the application] to assess viability of a potential injection point. This application does not obligate Piedmont Natural Gas to receive the alternative gas. Completion of this form does not constitute an agreement to provide services.

Piedmont would also point out that the form of maps attached to GESS' Application which purport to show Piedmont "Injection Points" were not produced by Piedmont and appear to have been produced by GESS (or a GESS contractor). Further, several of the proposed locations identified by GESS for injection sites with Piedmont are not injection points Piedmont would choose.² Primary among these is the 3012 Singletary Church Road injection point which would

² In paragraph 22 of the Application, GESS engages in some discussion of the supposed benefits of

essentially be collocated with a Piedmont compressor station on the transmission line feeding Wilmington – a point at which Piedmont would not agree to accept Alternative Gas.

Piedmont is at a loss to explain how GESS could possibly have reached the apparent conclusion that Piedmont had agreed to either (i) accept GESS generated Alternative Gas by the means proposed by GESS, or (ii) accept Alternative Gas at the injection points identified in GESS' Application.

II. Piedmont Has Not Engaged in “Extensive Contract Negotiations” with GESS for Receipt of Alternative Gas and Has Not Represented to GESS That it “Has No Objection” to GESS’ Participation in Piedmont’s Pilot Program.

In paragraph 18 of GESS’s Application, it states that “GESS has informed Piedmont of its intent to file this Application and has been informed that Piedmont has no objection to such filing or the participation of GESS in the pilot program.” In paragraph 24 of the Application, GESS asserts that it has “conducted extensive contract negotiations with Piedmont regarding Receipt Agreements.” Neither of these assertions are accurate.

Piedmont’s practice, which has been explained to GESS’ representatives, is to use the information provided on the “Application for Receipt Interconnection of Alternative Gas” form to conduct an engineering study of proposed Alternative Gas receipts both as to the feasibility of receiving the type and quantity of Alternative Gas desired to be injected by an Alternative Gas producer at a specified location on Piedmont’s system and to determine what Piedmont facilities will be required to accept such gas. This requires a detailed analysis by Piedmont’s engineers.

“interjecting” Alternative Gas into “smaller gas lines where the level of dilution is not expected to be as great.” Piedmont does not see this as any sort of benefit and, in fact, this scenario raises the most concern with Piedmont in terms of safety and reliability of service to its existing customers. Piedmont is also unclear as to what point GESS is trying to make by asserting, in the same paragraph, that its use of tank trailers to deliver to Piedmont allows Piedmont “to make modifications as needed to ‘ensure that no customers are adversely impacted as Alternative gas receipt points are added.’” Irrespective of how Alternative Gas reaches its system, Piedmont will be required to build significant receipt facilities to accept such gas and those facilities will be fixed. There is no inherent advantage to Piedmont in having Alternative Gas delivered by tanker as opposed to a fixed producer pipeline facility.

The results of such study drive either further discussions with the producer, if the original proposals are not feasible, or the preparation of a draft form of Receipt Interconnection Agreement and construction cost estimate specific to the interconnect arrangements necessary at the proposed site.

In this case, with regard to the proposed facilities subject to GESS' Application, Piedmont has only completed an engineering analysis of Union County. That study indicates that Piedmont can accept Alternative Gas within Union County (at the original injection quantities proposed by GESS)³ but no agreement has been reached as to a specific location for an injection point and no cost study or draft Receipt Interconnect Agreement with respect to Union County has been completed. With regard to GESS' other proposed injection points, Piedmont is currently working on the necessary engineering studies associated with those proposed points. In light of these facts, Piedmont has no idea what GESS means when it claims to have engaged in "Extensive Contract Negotiations"⁴ with Piedmont regarding Piedmont's receipt of GESS produced Alternative Gas because no such negotiations have occurred (nor can they occur until Piedmont finishes all of the necessary engineering studies and cost estimates described above with regard to GESS' proposed injection points).

Nor has Piedmont indicated to GESS that it has no objection to GESS' participation in the Pilot Program established by the Commission under Docket No. G-9, Sub 698. GESS' statement to the contrary is untrue.⁵ Piedmont acknowledges that GESS informed it that it would make a filing with the Commission seeking to participate in the Pilot Program – which is unremarkable in and of itself inasmuch as the Commission's recent order in Docket No. G-9,

³ GESS has submitted two applications for interconnection with Piedmont in Union County, but Piedmont is unable to determine which of those two applications was attached to GESS' Application in this proceeding because that Application was filed on a confidential basis.

⁴ See Application at ¶ 24.

⁵ Piedmont takes no position as to whether GESS should be permitted to participate in the Pilot Program.

Sub 698 requires such a filing in order to gain access to the program - but Piedmont neither reviewed any such filing nor informed GESS that Piedmont did not object to their participation in the program.

III. There Are No Existing Mechanisms That Would Allow Delivery of GESS Produced Alternative Gas to Customers Off of Piedmont's North Carolina Distribution System.

Paragraph 14 of the Application describes GESS' intent to deliver a significant portion of its Alternative Gas to Element Markets, an entity which GESS describes as "one of the largest biogas trading groups in the industry." GESS further indicates that "other electric suppliers within this state have indicated an interest in purchasing Alternative Gas from GESS." Based on these statements, and others set forth in the Application, it appears that GESS believes that Alternative Gas injected into Piedmont's system can be delivered to Elements Markets on Piedmont's system and then redelivered to other North Carolina customers that are not directly served by Piedmont and perhaps even to customers outside the State of North Carolina.

With regard to the first possibility, Piedmont would note that there are no current contractual or tariff mechanisms or physical connections in place that would allow a Piedmont customer to redeliver gas from the Piedmont system to a customer served by another piped gas provider in this State. As such, the idea that electric providers served by other gas distribution companies in North Carolina could receive GESS Alternative Gas is incorrect.

Further, a number of current Piedmont tariff provisions would prohibit this type of transaction. For example, Piedmont's commercial and industrial rate schedules all anticipate actual consumption of gas by Piedmont's customers – which does not appear to be the role Elements Markets would play under GESS' projected commercial arrangements. To the extent marketers are involved in Piedmont's intrastate markets, they are involved as agents of

Piedmont's customers and not as customers themselves. Appendix F also anticipates the delivery of Alternative Gas to a Piedmont customer – a status for which Elements Markets would not appear to qualify. Finally, Piedmont's tariffs prohibit the resale of gas delivered by Piedmont unless the Rate Schedule pursuant to which Piedmont delivers gas to a customer expressly allows resale (which currently only involves compressed natural gas for motor fuel rate schedules).

Any suggestion that GESS Alternative Gas could be resold or redelivered to customers outside of North Carolina is even more problematic. First, as was the case with in-state off-system deliveries, there are no physical connections between Piedmont and any interstate pipeline that would permit Piedmont to deliver gas into those pipelines for transportation outside the borders of North Carolina. Second, even if some form of displacement transaction could be used to effectuate the putative redelivery of Alternative Gas beyond North Carolina's borders, such activity would threaten both Piedmont's Hinshaw exemption under the Natural Gas Act and the Commission's jurisdiction over Piedmont. In short, as was the case with in-state off-system redeliveries, the idea that GESS Alternative Gas could be redelivered by Elements Markets outside the State of North Carolina is neither physically possible nor permissible from a regulatory perspective.

CONCLUSION

Piedmont respectfully requests that the Commission accept this statement into the record in order to clarify Piedmont's position with respect to GESS' filing in this docket.

This the 6th day of September, 2018.

Piedmont Natural Gas Company, Inc.

/s/ James H. Jeffries IV

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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 6th day of September, 2018.

/s/ Richard K. Goley
Richard K. Goley