

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. G-9, SUB 701

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application of Piedmont Natural Gas	)	ORDER APPROVING
Company, Inc., for Approval of Receipt	)	AGREEMENT WITH
Interconnection Agreement with	)	CONDITIONS
Optima KV, LLC	)	

BY THE COMMISSION: On January 24, 2017, Piedmont Natural Gas Company, Inc. (Piedmont) filed an Application for Commission approval of a Receipt Interconnection Agreement with Optima KV, LLC (Optima) in the above-captioned docket. The Agreement was included with Piedmont's Application and was filed under seal as a proprietary trade secret under G.S. 132-1.2. In summary, the Agreement relates to the construction of new natural gas distribution lines and facilities in order for Piedmont to receive Alternative Gas supplies from Optima at the receipt point designated in the Agreement. Piedmont stated that no other customer will be impacted by the Agreement and that the Agreement is in the public interest.

On April 5, 2017, Piedmont filed a First Amendment to Receipt Interconnection Agreement (Amendment). The Amendment was filed under seal as a proprietary trade secret under G.S. 132-1.2. Piedmont stated that the Amendment revises certain provisions of the Agreement relating to the characterization of capital payments made by Optima to Piedmont which were mistakenly mischaracterized in the original Agreement. In addition, Piedmont stated that no other customer will be impacted by the Amendment and that the Amendment is in the public interest.

Discussion and Conclusion

On December 6, 2016, in Docket No. G-9, Sub 698, Piedmont filed a Petition requesting approval of a new Appendix F to its Service Regulations. In summary, proposed Appendix F includes a definition of "Alternative Gas" and sets forth the terms and conditions under which Piedmont will accept Alternative Gas onto its system and deliver or redeliver it to Piedmont's customers. In its Petition, Piedmont stated that the need for establishing such guidelines has arisen due to the potential for sourcing supplies of methane from non-traditional suppliers, including landfills, and swine and poultry waste-to-energy facilities

On May 4, 2017, the Commission issued an Order Requiring Collaborative Meetings, Reports and Additional Information in Docket No. G-9, Sub 698. In summary, based on the comments and reply comments of the parties the Commission required that the Public Staff convene meetings of the parties to discuss the issues regarding

Piedmont's proposed Alternative Gas guidelines in Appendix F, to file monthly reports on the parties' meetings, and to file a final report regarding the parties' proposed resolution of the issues within six months of the issuance date of the Order.

Also on May 4, 2017, Piedmont filed a letter informing the Commission that the Agreement between Piedmont and Optima incorporates a Statement of Alternative Gas requirements that is identical to Piedmont's proposed Appendix F. In addition, Piedmont stated that the Agreement between Piedmont and Optima provides that any revisions to Piedmont's proposed Appendix F required by the Commission in Docket No. G-9, Sub 698 will be incorporated into service under the Agreement between Piedmont and Optima.

The Commission is sensitive to the fact that a six month or more wait for finalized Alternative Gas guidelines and the approval of the proposed Agreement between Piedmont and Optima could have a detrimental effect on the viability of Optima's project. On the other hand, the Commission is cognizant of the importance of having adequate guidelines for the safe and secure receipt and transport of Alternative Gas on Piedmont's system. Balancing those two factors, the Commission concludes that Optima's agreement to comply with the standards of proposed Appendix F, and any revisions to Appendix F that are ultimately required by the Commission, provides reasonable assurance of the safe and secure receipt and transport of Optima's Alternative Gas on Piedmont's system.

Further, the Commission notes that the decision-making process regarding Alternative Gas guidelines may include an amendment or amendments to the Commission's Rules. As would typically be the case, Piedmont and Optima would be required to conform their activities to comply with the amended rules.

In addition, the Commission accepts Piedmont's commitment that no other customer will be impacted by the Optima Agreement. As a result, the Commission will grant its approval of the Agreement based on two additional conditions: (1) that Piedmont's ratepayers shall be held harmless if Piedmont is required to pay income taxes on the capital payments made by Optima to Piedmont; and (2) that the Commission's approval is without prejudice to the right of any party to take issue with the ratemaking treatment of revenues and costs under the Agreement in an appropriate proceeding.

Based on the foregoing and the record, the Commission concludes that the Receipt Interconnection Agreement between Piedmont and Optima KV, LLC, as amended, is in the public interest and should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That the Commission hereby approves the Receipt Interconnection Agreement, as amended, between Piedmont Natural Gas Company, Inc., and Optima KV, LLC.

2. That in implementing and operating under the Agreement, Piedmont and Optima shall comply with the Alternative Gas guidelines that have been proposed by Piedmont and are being considered by the Commission in Docket No. G-9, Sub 698.

3. That the Agreement between Piedmont and Optima shall be subject to any revisions to Piedmont's proposed Alternative Gas guidelines that may be made by the Commission, and applicable amendments to the Commission's Rules.

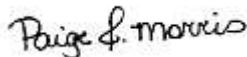
4. That Piedmont's ratepayers shall be held harmless if Piedmont is required to pay income taxes on the capital payments made by Optima to Piedmont.

5. That the Commission's approval of the Agreement between Piedmont and Optima is without prejudice to the right of any party to take issue with the ratemaking treatment of revenues and costs under the Agreement in an appropriate proceeding.

ISSUED BY ORDER OF THE COMMISSION.

This the 10<sup>th</sup> day of May, 2017.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in cursive script that reads "Paige J. Morris".

Paige J. Morris, Deputy Clerk