

**REPORT OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION**

TO THE

**JOINT LEGISLATIVE COMMISSION ON
GOVERNMENTAL OPERATIONS**

ANALYSIS AND SUMMARY

OF

EXPANSION PLANS OF

NORTH CAROLINA NATURAL GAS UTILITIES

AND

THE STATUS OF NATURAL GAS SERVICE

IN

NORTH CAROLINA



**SUBMITTED APRIL 29, 2014
PURSUANT TO G.S. 62-36.1**

TABLE OF CONTENTS

I.	PURPOSE OF THE REPORT	1
II.	RETAIL PROVIDERS OF NATURAL GAS SERVICE	1
III.	STATUS REPORT ON NATURAL GAS SERVICE IN THE STATE	2
IV.	KEY LEGISLATION RELATED TO NATURAL GAS EXPANSION	3
	A. Expansion Funds	3
	B. Natural Gas Bonds	5
V.	MAJOR GAS EXPANSION PROJECTS	6
	A. Alexander County Project	7
	B. Bertie and Martin Counties Project	7
	C. Columbus County Project	8
	D. Haywood County Project	8
	E. Mount Olive to Jacksonville Project	9
	F. Madison, Jackson, and Swain Counties Project	9
	G. McDowell County Project.....	10
	H. Mayland Project.....	10
	I. EasternNC Project	11
	J. Ashe County Project.....	12
	K. Warren County Project.....	13
	L. Four County Project.....	13
	M. King/Western Stokes County Project.....	14
	N. Macon County Project.....	14
	O. Franklin County Project.....	15
VI.	SUMMARY OF LOCAL DISTRIBUTION COMPANIES' REPORTS.....	16
VII.	CONCLUSION.....	19
APPENDIX	MAP OF NATURAL GAS SERVICE AREAS	20

I. PURPOSE OF THE REPORT

Pursuant to G.S. 62-36A(b),¹ the North Carolina Utilities Commission (Commission) promulgated Commission Rule R6-5(11), which requires North Carolina's natural gas local distribution companies (LDCs) to file biennial expansion reports detailing their plans for providing natural gas service in areas of their franchised territory where natural gas is not available. In accordance with G.S. 62-36.1(c), the Public Staff has prepared this analysis and summary of the LDCs' 2013 reports (2013 Biennial Expansion Reports), together with a status report of natural gas service in the State.

II. RETAIL PROVIDERS OF NATURAL GAS SERVICE

Four LDCs are presently authorized to provide retail natural gas distribution service in the State: (1) Piedmont Natural Gas Company, Inc. (Piedmont), which serves the Triad and the surrounding area, the Charlotte-Mecklenburg area, the State's coastal plain, Stokes and Rockingham Counties, and an area of the central foothills and mountains, including the cities of Hickory, Morganton, and Lenoir; (2) Public Service Company of North Carolina, Inc. (PSNC), which serves the Triangle and surrounding areas, an area in the western piedmont following a line from Concord to Statesville, and western portions of the State; (3) Frontier Natural Gas Company, LLC (Frontier), which serves the northwestern mountain counties and Warren County; and (4) Toccoa Natural Gas (Toccoa), which serves Macon County. Retail natural gas distribution service is also provided by eight municipal gas systems: Greenville, Rocky Mount, and Wilson,

¹ Pursuant to Session Law 2012-194, Part I, Section 16, G.S. 62-36A was recodified as G.S. 62-36.1. G.S. 62-36A(b) is, therefore, now G.S. 62-36.1(b).

through Piedmont's distribution system; and Shelby, Bessemer City, Lexington, Monroe, and Kings Mountain, each through direct interconnection with Transcontinental Gas Pipe Line Company, LLC (Transco).

III. STATUS REPORT ON NATURAL GAS SERVICE IN THE STATE

When G.S. 62-36A became effective on June 15, 1989, 38 North Carolina counties did not have any natural gas service and service was minimally available in several other counties. Of the 38 unserved counties, 18 counties were in the eastern portion of the State, 3 were in the central region, and 17 were in the far western portion of the State. Of the 38 unserved counties, 20 counties were not located in the franchise area of any LDC.

Currently, all but four counties have natural gas service available. The remaining four unserved counties, Alleghany, Cherokee, Clay, and Graham, are located in the mountainous western portion of the State and are all presently unfranchised. With the exception of Frontier's very preliminary plans to potentially serve Alleghany County, the Public Staff is unaware of any projects under consideration that would extend service to any of these four counties. A map illustrating the status of natural gas service for each county and the identity of the LDC providing service in each county is presented at the end of this report.

IV. KEY LEGISLATION RELATED TO NATURAL GAS EXPANSION

The General Assembly of North Carolina (General Assembly) has taken several steps to encourage the extension of natural gas service to unserved areas, including the enactment of legislation that authorized the LDCs to establish expansion funds and authorized the issuance of natural gas bonds. A discussion of these issues is presented below.

A. Expansion Funds

On July 8, 1991, the General Assembly enacted legislation that permitted the establishment of expansion funds for each of the LDCs. G.S. 62-2(a)(9) declares it the public policy of the State to facilitate the construction of facilities in and the extension of natural gas service to unserved areas and to authorize the creation of an expansion fund for each LDC administered under the supervision of the Commission. G.S. 62-158(a) authorizes the Commission, after a hearing, to order an LDC to create a special natural gas expansion fund to be used to construct natural gas facilities in unserved areas of the LDC's franchise territory that otherwise would not be feasible to serve. G.S. 62-158(b) provides that sources of funding for the expansion funds could include refunds received by the LDCs from natural gas suppliers as the result of orders of the Federal Energy Regulatory Commission; surcharges imposed on the LDCs' sales and transportation customers, limited to a maximum \$0.15 per dekatherm; and other sources approved by the Commission. Supplier refunds and interest associated with the refunds compose all of the expansion funds that have been accumulated to date.

G.S. 62-158(c) requires that an LDC receive approval from the Commission in order to use expansion funds for a project and that the funds be used only for funding the infeasible portion, or the negative net present value (NPV), of the project. If a project becomes economically feasible, the Commission may require the expansion funds to be remitted to the fund or refunded to customers. G.S. 62-158(d) requires the Commission and the Public Staff to report to the Joint Legislative Commission on Governmental Operations on the operation of any expansion funds in conjunction with this report.

The Commission has approved a total of \$114.6 million of expansion funds for use by the LDCs in completing eight expansion fund projects. Piedmont used \$38.5 million for its Mayland Project, which extended natural gas service to Mitchell, Avery, and Yancey Counties. The former North Carolina Natural Gas Corporation (NCNG), which is now part of Piedmont, used \$30.4 million for projects that extended service to southern Columbus County and all of Duplin, Onslow, Bertie, and Martin Counties. PSNC used \$45.7 million of expansion funds to extend or enhance the availability of service in western Haywood County and all of Alexander, Franklin, Jackson, McDowell, Madison, and Swain Counties. Detailed project descriptions for each expansion fund project can be found in the Major Gas Expansion Projects section of this report.

As of March 31, 2014, no LDC has an appreciable amount of expansion funds deposited with the State Treasurer. Pursuant to Order dated May 22, 2007, in Docket No. G-5, Sub 300, the Commission authorized the dissolution of the expansion fund PSNC had previously established. On October 25, 2007, the Commission approved, in Docket No. G-9, Sub 547, Piedmont's request to deposit the supplier refunds held in

Piedmont's Natural Gas Expansion Fund, as well as future supplier refunds, into Piedmont's Deferred Gas Cost Account for refund to customers. Neither Frontier nor Toccoa have ever applied for a Commission-approved expansion fund.

B. Natural Gas Bonds

The General Assembly passed the Clean Water and Natural Gas Critical Needs Bond Act of 1998, which authorized the issuance of bonds for water, sewer and natural gas infrastructure. On November 3, 1998, North Carolina voters approved the issuance of \$200 million in general obligation bonds for natural gas expansion. G.S. 62-159 authorizes the Commission to provide funding through the proceeds of general obligation bonds for the construction of natural gas facilities in unserved areas that would otherwise not be economically feasible. Like expansion funds, natural gas bonds may fund only the infeasible portion of a project. The infeasible portion of a project is determined by a computation of the negative NPV for the project. If a project becomes economically feasible, the recipient of the funding is required to pay back the proceeds from the natural gas bonds. G.S. 62-159(d) requires the Commission and the Public Staff to report to the Joint Legislative Commission on Governmental Operations on the use of such funding in conjunction with this report.

All of the proceeds from the \$200 million of natural gas bonds have been spent on three projects that were approved by the Commission. Frontier's Warren County Project was awarded \$2.4 million of bond fund monies, Piedmont's EasternNC Project was awarded \$188.3 million of bond fund monies, and Frontier's Ashe County Project was awarded \$9.3 million of bond fund monies. All three projects were completed as of

December 2005. The Public Staff has reviewed data for each of the three projects financed by bond funds and determined that none of the projects are economically feasible at this time, and, therefore, none require the bond fund recipient to pay back the proceeds from the natural gas bonds. Detailed project descriptions for each of these bond fund projects can be found in the Major Gas Expansion Projects section of this report. A chart of the amounts disbursed for each of the projects is shown below.

SUMMARY OF NATURAL GAS BOND FUND AWARDS

Name of Recipient	Description	Natural Gas Bond Award Amounts		
		Total Approved	Cumulative Disbursements	Undisbursed
Frontier Natural Gas Company	Warren County Project	\$2,404,850.00	\$2,404,850.00	\$0.00
Piedmont Natural Gas Company, Inc.	EasternNC Project (Currituck, Camden, Pasquotank, Gates, Perquimans, Chowan, Washington, Tyrrell, Dare, Hyde, Pamlico, Jones, Carteret and Pender Counties)	\$188,316,382.00	\$188,316,382.00	\$0.00
Frontier Natural Gas Company	Ashe County Project	\$9,278,768.00	\$9,278,768.00	\$0.00
Total Natural Gas Bond Awards Approved by Commission		\$200,000,000.00	\$200,000,000.00	\$0.00
Natural Gas Bonds Approved by Taxpayers		\$200,000,000.00		
Unawarded Natural Gas Bonds		\$0.00		

V. MAJOR GAS EXPANSION PROJECTS

Since the inception of the legislation discussed above, the LDCs have completed 15 projects that extended natural gas service to 34 previously unserved counties or enhanced the availability of service in 3 minimally served counties. Overall, nearly \$510 million have been invested to expand the availability of natural gas service. Of this amount, \$200 million were provided by natural gas bond funds, \$114.6 million were

provided by expansion funds for the infeasible portions of the cost, and the remaining \$195.4 million were provided by other sources, primarily LDC investors. Investors in Frontier provided over \$100 million of capital to build its initial natural gas infrastructure, and investors in Toccoa provided \$24.2 million of capital for the initial construction of that system. Descriptions of these 15 projects are presented below.²

A. Alexander County Project – The Commission approved the use of \$4.3 million of expansion funds by PSNC for a project with a total cost of \$6.2 million. The project, which was completed in February 2000, included the installation of 24.9 miles of 6-inch steel transmission main. The project generally followed N.C. Highway 90 from the terminus of PSNC's existing transmission pipeline at Statesville to Taylorsville. As of December 2013, PSNC was serving 24 residential customers, 59 commercial customers, and 2 industrial customers in Alexander County, with approximate total annual usage of 83,000 dekatherms.

B. Bertie and Martin Counties Project – The Commission approved the use of \$10.3 million of expansion funds by the former NCNG for a project with a total estimated cost of \$12.6 million. The project, which was completed in December 1999, included 39 miles of 12-inch transmission main from Ahoskie to Robersonville, the construction of distribution facilities and city gate stations at Hamilton and Robersonville, the installation of 3.9 miles of 4-inch transmission main and a meter and regulator facility to serve a plant in Lewiston. As of December 2013, Piedmont was serving 192 residential

² Piedmont is conducting a Customer Premise Reporting project to ensure that it is accounting for its customers in the appropriate county of its service territory. Piedmont's customer counts and volumes are, therefore, more accurately reported in its 2013 Biennial Report as compared to its prior reports.

customers, 101 commercial customers, and 18 industrial customers in Bertie and Martin Counties, with approximate total annual usage of 642,000 dekatherms.

C. Columbus County Project – The Commission approved the use of \$3.4 million of expansion funds for a project undertaken by the former NCNG that extended natural gas service into the southern portion of Columbus County. The project also included a segment that was funded entirely by investor capital. The overall estimated cost of the Columbus County Project was \$5.6 million. The project, which was completed in June 2002, included 21.2 miles of 6-inch transmission main from Whiteville to Tabor City in Columbus County. The route began at an existing transmission main at Southeastern Industrial Park and proceeded east to Whiteville, south along U.S. Highway 701 to Tabor City, and west on N.C. Highway 904 to the Tabor City Industrial Park. As of December 2013, Piedmont was serving 62 residential, 41 commercial, and 5 industrial customers in Columbus County. Total annual usage for these customers is approximately 3,950,000 dekatherms.

D. Haywood County Project – PSNC received Commission approval to use \$4.1 million of expansion funds for a \$7.2 million project that extended natural gas service to western Haywood County. The project, which was completed in January 1998, included a 6-inch transmission line that began at a point on U.S. Highway 19/23 in Canton and followed U.S. Highway 19/23 to Clyde. The pipeline then followed Tuscola Service Road from Clyde to Waynesville, running a total distance of 7.6 miles. The project included distribution facilities to serve Clyde, Lake Junaluska, and Waynesville. As of December 2013, PSNC was serving 359 residential customers, 342 commercial customers, and 10 industrial customers in Haywood County. Total

annual usage by these customers is approximately 1,290,000 dekatherms. Prior to completion of the project, the company served 148 customers in the county with annual usage of approximately 50,000 dekatherms.

E. Mount Olive to Jacksonville Project – The Commission approved \$16.6 million of expansion funds for an estimated \$24.0 million project undertaken by the former NCNG that extended natural gas service into Duplin and Onslow Counties. The project involved the installation of a 58-mile transmission pipeline from Mount Olive in Wayne County to Warsaw in Duplin County, then continuing to Jacksonville in Onslow County. Other facilities included a transmission lateral to Kenansville and distribution facilities at Camp Lejeune, Camp Geiger, and Camp Johnson. The project was completed in September 1999. As of December 2013, Piedmont was serving 1,068 residential customers, 385 commercial customers, and 48 industrial customers, including military installations, in Duplin and Onslow Counties, with approximate total annual usage of 3,700,000 dekatherms.

F. Madison, Jackson, and Swain Counties Project – PSNC received Commission approval to use \$28.4 million of expansion funds for the purpose of extending natural gas service to Madison, Jackson, and Swain Counties. The estimated cost for the project was \$31.4 million. The first phase of the project, which extended service from the existing Asheville system to Mars Hill in Madison County, was completed in July 2001. The second phase extended service from the existing Waynesville transmission system in Haywood County to Sylva and Cullowhee in Jackson County and was completed in October 2002. The third phase of the project extended service from Cullowhee to Bryson City in Swain County. Service became

available in Swain County in May 2004. As of December 2013, PSNC was serving 199 residential customers, 265 commercial customers, and 11 industrial customers in Madison, Jackson, and Swain Counties, with approximate total annual usage of 593,000 dekatherms.

G. McDowell County Project – PSNC received Commission approval to construct an expansion project into McDowell County consisting of 22.2 miles of transmission pipeline and 22.8 miles of distribution main from Black Mountain in Buncombe County to Old Fort and Marion in McDowell County. PSNC completed the project in December 1998 at an estimated total cost of \$13.7 million and received \$7.8 million of expansion funds. This was the first project in North Carolina to be completed as a result of the expansion fund mechanism. As of December 2013, PSNC was serving 223 residential customers, 206 commercial customers, and 9 industrial customers in McDowell County, with approximate total annual usage of 494,000 dekatherms.

H. Mayland Project – Piedmont received Commission approval to use \$38.5 million of natural gas bond funds for a project to extend natural gas service to Mitchell, Avery, and Yancey Counties (Mayland). The project had an estimated total cost of \$41.4 million and was completed in September 2001. The construction of the transmission systems was completed in three geographic segments. The first segment included Burnsville, Spruce Pine, Bakersville, and Micaville, and extended along the U.S. Highway 19E and the N.C. Highway 226 corridors. The second segment included Linville, Pineola, Newland, and Banner Elk, and extended along the corridors of N.C. Highways 181, 184, and 105. The third segment, composed mainly of private rights-of-way, extended from Morganton, adjacent to N.C. Highway 181, and beyond

N.C. Highway 183. As of December 2013, Piedmont was serving 614 residential, 408 commercial, and 20 industrial customers in Mitchell, Avery, and Yancey Counties, with approximate total annual usage of 679,000 dekatherms.

I. EasternNC Project – Measured in terms of geography and cost, this project, which was funded mostly by natural gas bond funds and completed by Piedmont, is the largest natural gas expansion project that has been undertaken in the State. The EasternNC Project was initially developed through a separate entity, Eastern North Carolina Natural Gas Company, LLC (Eastern NCNG), whose members included Carolina Power & Light Company and the Albemarle Pamlico Economic Development Corporation. Piedmont purchased Eastern NCNG in 2003, and fully integrated the company as part of its North Carolina operations in 2005. The project provides natural gas service to 14 previously unserved counties: Camden, Carteret, Chowan, Currituck, Dare, Gates, Hyde, Jones, Pamlico, Pasquotank, Pender, Perquimans, Tyrrell, and Washington. The Commission approved \$188.3 million of natural gas bond funds for use in constructing the project, which had an estimated cost of \$205.7 million. Piedmont's investors provided the remaining \$17.4 million of estimated construction costs not covered by natural gas bonds. Piedmont completed the EasternNC Project in late 2005.

The EasternNC Project involved the installation of a 12-inch backbone transmission pipeline extending southward from the Transco delivery station at Ahoskie to points near Williamston, New Bern, Wallace, and Castle Hayne, and terminating near the former NCNG system at Wilmington. The project also included a 12-inch pipeline traveling northward across the Chowan River from an interconnection at Tunis with a

16-inch Piedmont pipeline that had been in place prior to the EasternNC Project. Once across the Chowan River, the pipeline diameter was reduced to 10 inches and was extended southward through Gates County, then eastward through Chowan, Perquimans, Pasquotank, and Camden Counties. The pipeline diameter was further reduced to 6 inches at Belcross in Camden County and continued eastward to an interconnection at Sligo where it continued northward to Moyock and southward to the tip of the Currituck Peninsula. Natural gas service was extended to Dare County by a pipeline that crossed the Currituck Sound at the southern tip of the Currituck Peninsula.

Major laterals off the 12-inch backbone transmission pipeline included a lateral from Williamston to Plymouth and Columbia, a lateral from a point north of New Bern eastward to Bayboro, a lateral to Trenton, and a lateral to Havelock and Morehead City. Service to Swan Quarter was provided from Plymouth.

As of December 2013, Piedmont was providing natural gas service to 2,575 residential customers, 941 commercial customers, and 43 institutional/industrial customers in the 14-county EasternNC Project area. The approximate total annual usage of the customers is 3,900,000 dekatherms.³

J. Ashe County Project – Frontier received Commission approval to use \$9.3 million of natural gas bond funds for a project with a total estimated cost of \$18.2 million to extend natural gas service to Ashe County. The project was designed for construction in three phases. Phase I involved laying 20 miles of 10-inch steel

³ In prior Biennial Reports, Piedmont reported customer counts and volumes for the City of Washington in the totals for the EasternNC Project. The City of Washington is in Beaufort County and not a part of the EasternNC Project area. In its 2013 Biennial Report, Piedmont did not include the City of Washington's customer counts and volumes in the totals for the EasternNC Project area.

transmission pipeline from North Wilkesboro to Deep Gap along or near the right-of-way of U.S. Highway 421 west from Wilkesboro and boring beneath the Blue Ridge Parkway. Phase II involved the installation of 16 miles of 6-inch steel pipe starting from the intersection of U.S. Highways 421 and 221 at Deep Gap and continuing north along U.S. Highway 221 to West Jefferson, and 6 miles of 6-inch plastic pipe extending along U.S. Highway Business 221 as a distribution header from West Jefferson to Jefferson. The final phase involved extending 85 miles of distribution main along the streets of the towns of Jefferson and West Jefferson to provide service to individual residential and small commercial customers. Frontier completed the project in August 2002. As of December 2013, Frontier was serving 30 residential, 105 commercial, and 2 industrial customers in Ashe County with approximate annual throughput of 295,000 dekatherms.

K. Warren County Project – Frontier expended \$2.4 million of natural gas bond funds, as approved by the Commission, and \$2.9 million of investor-provided capital on a \$5.3 million project that extended natural gas service into Warren County. The project consists of approximately 23.5 miles of 6-inch steel and plastic pipe and 34 miles of distribution main, at an estimated cost of \$5.3 million. As of December 2013, Frontier was serving 315 residential customers, 99 commercial customers, and 2 industrial customers in Warren County with approximate total annual usage of 133,000 dekatherms.

L. Four County Project – In April 1998, Frontier began construction of a natural gas system to serve Surry, Wilkes, Yadkin, and Watauga Counties in northwestern North Carolina. The approximately \$100 million project was financed in full by Sempra Energy, the former parent company of Frontier Utilities of North Carolina, Inc., the

immediate parent of Frontier.⁴ As of December 2013, Frontier was serving 955 residential customers, 970 commercial customers, and 28 industrial customers in the 4 counties, with approximate total annual usage of 3,400,000 dekatherms.

M. King/Western Stokes County Project – In October 1996, Piedmont was granted a certificate from the Commission to extend natural gas service into southwest Stokes County. The \$5.3 million project included nine miles of 6-inch transmission main running from the company's 12-inch high-pressure line located north of Winston-Salem to a point near Rural Hall and then up U.S. Highway 52 and on to King in Forsyth County. A distribution system composed of 20.5 miles of distribution main running down King-Tobaccoville Road and South Main Street through downtown King and then onto North Main Street, with laterals to several residential subdivisions and an industrial park along the route, was installed. Piedmont began providing service in that area in November 1997. In 2002, Piedmont bought the North Carolina gas operations of NUI Utilities, Inc. (NUI), another gas utility, which had previously served eastern Stokes County. As of December 2013, Piedmont was serving 677 residential customers, 144 commercial customers, and 1 industrial customer in King and Western Stokes County that were not previously NUI customers. The approximate total annual usage of these customers is 97,516 dekatherms.

N. Macon County Project – In April 2000, the City of Toccoa, Georgia, completed a project that involved constructing a gas system that originated in Toccoa, Georgia, and extended north on U.S. Highway 23/441 across the Georgia/North Carolina state

⁴ Energy West, Incorporated, became the immediate parent of Frontier Utilities of North Carolina, Inc., following the approval of its acquisition by Commission Order dated September 13, 2007, in Docket No. G-40, Sub 67.

line to Franklin in Macon County. Toccoa used its own funding to construct the 8-inch steel transmission line which extended approximately 58 miles through the Georgia cities of Hollywood, Tallulah Falls, Tiger, Clayton, Mountain City, and Dillard and terminated in Franklin, North Carolina. The total estimated cost of the project was \$24.2 million. As of December 2013, Toccoa was serving 415 residential customers, 222 commercial/industrial customers, and 2 interruptible customers with approximate total annual usage of 119,000 dekatherms.

O. Franklin County Project – In September 2005, PSNC received Commission approval to extend natural gas service to Louisburg and use \$1.1 million of expansion funds for the project. The estimated cost for the project was \$3.7 million. The project included a 4.4-mile high-pressure distribution main extending from PSNC's existing facilities just east of Franklinton to a city gate station just west of Louisburg. From the city gate station, a 13.5-mile distribution system composed of various combinations of 2-inch and 8-inch plastic and steel pipe was installed. PSNC began providing service in Louisburg in December 2005, and the project was completed in December 2006. As of December 2013, PSNC was serving 1,727 residential customers, 244 commercial customers, and 8 industrial customers in Franklin County. The approximate total annual usage of these customers is 706,000 dekatherms. Prior to completion of the project, the company served 425 customers in the county with annual usage of approximately 385,000 dekatherms.

VI. SUMMARY OF LOCAL DISTRIBUTION COMPANIES' REPORTS

Each LDC reports to the Commission every two years regarding the inquiries for natural gas service it has received from potential large users, the status of expansion projects previously reported to the Commission, and its plans for potential expansion projects. This section summarizes the information contained in the 2013 Biennial Expansion Reports, the most recent reports of the LDCs.

Frontier

Frontier reported that it does not have any unserved areas in its franchised territory. During the two-year period ended October 31, 2013, Frontier reported that it did not receive any requests or inquiries about service from potential large commercial or industrial customers considering locations not economically feasible to serve. Because Frontier did not have any previously reported expansion projects that were incomplete, no status report was provided. Frontier reported that the Town of Mount Airy requested natural gas service for one of its industrial parks and Frontier is working with the Town.

Frontier reported that its “[e]xpansion efforts from 2011 to the present have focused on extending service strategically to agricultural and commercial corridors and high concentrations of homes. Frontier expanded its distribution system to meet the needs of commercial and industrial accounts where it was economically feasible to do so and where there was interest.” Frontier reported that it has installed 36.92 miles of new distribution main in its six county service territory since its 2011 Biennial Expansion

Report. Frontier also reported that it is contemplating requesting a certificate to serve Allegheny County and exploring ways to cost effectively expand to serve the Town of Sparta.

Piedmont

Piedmont reported that it has transmission facilities and distribution systems in place and is providing service in all of its certificated counties, and that there are no unserved areas, within the intent of G.S. 62-158 and G.S. 62-2(9), remaining in its service territory. Piedmont reported that 227 inquiries regarding gas service were received by or on behalf of potential large commercial and industrial customers during the two-year period ended October 31, 2013. Piedmont reported that 42 inquiries resulted in successful projects (new customers were added as a result of those inquiries), 79 were unsuccessful (natural gas service was not provided to the potential customer), 80 were pending/progressing, and 21 were on hold. Piedmont also reported that there were 5 inquiries regarding gas service customers during the two-year period ended October 31, 2013 that were not feasible.

The report filed by Piedmont contained an update on the status of an expansion project in Towne Pointe-Jacksonville, which proposed to serve the Towne Pointe Subdivision, several schools, the Hidden Oaks Subdivision, and other areas of Jacksonville, which had been discussed in its 2011 Biennial Expansion Report. Piedmont reported that this project has been cancelled. Piedmont also reported on eight other significant projects: six projects extend natural gas service to new areas, and two are completed pipeline projects to provide service to the power generation

facilities of Progress Energy Carolinas at its Wayne County energy complex and L.V. Sutton Plant in New Hanover County.

PSNC

PSNC reported that natural gas distribution service is being provided in all of the counties in its service territory and that there are no unserved areas, within the intent of G.S. 62-158 and G.S. 62-2(9), remaining in its service territory. Because PSNC did not have any previously reported expansion projects that were incomplete, no status report was provided. PSNC reported that 60 inquiries were received by or on behalf of potential large commercial and industrial customers during the two-year period ended October 31, 2013. Out of the 60 inquiries regarding potential gas service, 10 were successful, 22 were unsuccessful, and 28 were pending.

Toccoa

Toccoa reported that it does not have any unserved areas in its North Carolina franchised territory. Toccoa also reported that it did not have any projects in progress at the time of its immediately preceding report. During the two-year period ended October 31, 2013, Toccoa reported that it did not receive any requests or inquiries from potential large commercial or industrial customers considering locations in its North Carolina service territory that were not economically feasible to serve under its plan for extension of mains and service lines.

VII. CONCLUSION

Natural gas service has been extended to 34 counties that were unserved when G.S. 62-36A was enacted in 1989. Since enactment, nearly \$510 million have been invested in natural gas infrastructure that extended natural gas service to previously unserved areas, and service is currently available in 96 of the 100 North Carolina counties. The four counties that remain without natural gas service are presently unfranchised. With the exception of Frontier's very preliminary plans to potentially serve Alleghany County, the Public Staff is unaware of any plans that would extend service to those counties.

