

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.

All of the \$200 million of natural gas bonds have been sold by the State, and the Commission has approved the use of the natural gas bond funds for three projects. Frontier's Warren County project was awarded \$2.4 million, Piedmont's EasternNC project to serve 14 counties in the eastern part of the State was awarded \$188.3 million, and Frontier's Ashe County project was awarded \$9.3 million of bond fund monies. Frontier's Warren County and Ashe County projects have been completed. Piedmont's EasternNC project presently provides gas service to all 14 of the targeted counties, and the project should be completed by June 2006. Detailed project descriptions for each of these bond fund projects can be found in the Major Projects Section of this report. A chart of the amounts disbursed to date for each of the projects is shown below.

**NORTH CAROLINA UTILITIES COMMISSION
STATUS REPORT ON NATURAL GAS BONDS FUND AWARDS APPROVED TO DATE
At February 28, 2006**

Name of Recipient	Description	Natural Gas Bond Award Amounts		
		Total Approved	Cumulative Disbursements	Undisbursed
Frontier Energy, LLC	Warren County Project	\$2,404,850.00	\$2,404,850.00	\$0.00
Piedmont Natural Gas Company, Inc. (EasternNC Project)	Currity, Camden, Pasquotank, Gates, Perquimans, Chowan, Washington, Tyrrell, Dare, Hyde, Pamlico, Jones, Carteret and Pender Counties	\$188,316,382.00	\$184,606,723.70	\$3,709,658.30
Frontier Energy, LLC	Ashe County	\$9,278,768.00	\$9,278,768.00	\$0.00
Total Natural Gas Bond Awards Approved by Commission		\$200,000,000.00	\$196,290,341.70	\$3,709,658.30
Natural Gas Bonds Approved by Taxpayers		\$200,000,000.00		
Unawarded Natural Gas Bonds		\$0.00		