AGL proposing to spend $535M on pipes

Dave Williams, Staff Writer- *Atlanta Business Chronicle*

Atlanta Gas Light Co. is asking the Georgia Public Service Commission for permission to spend $275 million to replace 756 miles of plastic pipe installed in or before 1974.

Surveys showed some of the pipes starting to deteriorate toward the early end of an original life expectancy of up to 50 years, AGL President Bryan Batson said.

“Some of the resin is starting to get hard and, thus, susceptible to leaks,” he said. “There’s nothing we’ve seen that causes great concern. We just want to be ahead rather than behind.”

The PSC is scheduled to hold a hearing on the proposal June 20. A vote could come as early as July.

The plastic pipeline replacement program accounts for just more than half of $535 million in infrastructure spending AGL intends to undertake during the next three years.

The wholly owned subsidiary of Atlanta-based **AGL Resources Inc.** also is committing $214 million toward the second phase of a plan to upgrade existing pipelines in the metro region and install new pipes in high-growth areas farthest removed from interstate natural-gas supply points.

Another $46 million would go to extend AGL’s pipeline system into parts of Georgia either not served by the utility or underserved.

Replacing the plastic pipe would cost AGL ratepayers $1.35 per month in a surcharge extending through 2025.

The 756 miles of plastic pipe targeted for replacement are among almost 3,300 miles of plastic pipe installed between 1963 and 1983 that the company has determined might need to be replaced eventually, said David Weaver, vice president of regulatory affairs for Atlanta Gas Light.

In areas where the older pipes from that era are in place, AGL crews have responded to calls from customers who smelled gas or third-party contractors doing excavation jobs, he said. “For our oldest pipes, it’s time to start looking at removing as much pipe as we can on an annual basis and getting that vintage pipe replaced,” he said.

While none of the Georgia utility observers who typically follow cases before the PSC have formally intervened in the AGL request, the plastic pipeline replacement proposal is drawing criticism.

Energy lawyer Bobby Baker, a partner with **Freeman Mathis & Gary LLP**, questioned whether the company has sufficiently demonstrated a need for the program.

“It appears AGL is basing its request on a limited survey it did on a very small section of pipeline,” Baker wrote in a recent alert.

But Weaver said AGL has performed leak surveys throughout the company's pipeline system during the last several years.

"We're satisfied that the leak survey data we've developed gives us an adequate basis to look at a systematic removal of this pipe," he said.

Liz Coyle, deputy director of **Georgia Watch**, a statewide consumer advocacy organization, said AGL's decision to recover the costs of its investment through a special "rider" rather than incorporating it into a rate case would make it easier for the project to slip through the PSC with less scrutiny.

"A rate case is the best opportunity to take a comprehensive look at a company's finances," she said.

Baker said the proposed rider also would front-load the project's costs into the early years of the plastic pipes' life span, disproportionately hitting AGL's current customers.

"That pipe is going to be in the ground 50 or 60 years, but they're going to have their cost recovery in 12 years," he said. "Everybody is supposed to pay their fair share over time for a capital asset. ... [But] future generations of utility users are going to get a free ride."

Batson said putting the project through a rate case not only would be more expensive than financing AGL's investment through a rider, but going that route also would permit less time for examining its merits.

While a rate case can require exploring several hundred financial and capital investment issues, a rider focuses on a single project.

"The scrutiny on a pipeline replacement rider is exponentially greater than a standard rate case," he said.

Batson also dismissed arguments that the rider would dump too much of the project's costs onto current AGL customers.

The same criticism has dogged an early cost recovery plan the PSC approved four years ago for **Georgia Power Co.'s** expansion of nuclear Plant Vogtle near Augusta.

But while Georgia Power began billing customers for Plant Vogtle in 2011, six years before the first of two new nuclear reactors is due to begin operating, Batson said AGL's new plastic pipes would start serving customers immediately.

"The pipe is moving gas to customers when we start charging for it," he said.

Batson said it's uncertain whether AGL will ultimately seek to replace all of the approximately 2,500 miles of plastic pipe not involved in the first phase of the project.

"All this pipe we remove will give us a chance to study and understand it," he said. "It could result in [fewer] miles being taken out or all of it. It will be wait and see."