

STATE OF ALABAMA
ALABAMA PUBLIC SERVICE COMMISSION
P.O. BOX 991
MONTGOMERY, ALABAMA 36130

August 22, 1977

Mr. Cesar DeLeon, Acting Director
Office of Pipeline Safety Operations
Department of Transportation
Washington, D.C. 20590

Dear Mr. DeLeon:

On August 12, 1977, the Alabama Public Service Commission held a hearing filed by Alabama Gas Corporation for authority to purchase a municipally owned gas system--Rainbow City Water and Gas Board.

After the hearing the Commission approved this petition. Enclosed is a copy of the Commission order. Also enclosed, for your information, is Alabama Gas' proposal to bring this system into complete compliance with OPSO regulations.

Our inspection of Rainbow City Gas Board finds they are in compliance with the regulations except for cathodic protection. They are between 85 and 90 percent cathodically protected.

The reason for the six months' waiver is because Alabama Gas has their own policies and procedures for making sure their systems are in compliance with Federal regulations.

Hoping you will see fit to concur with this waiver proposed by the Alabama Public Service Commission in this case. This Commission will monitor the efforts of Alabama Gas Corporation in their endeavor to bring this system into compliance.

If additional information is desire, please feel free to contact this office.

Sincerely,

(signed)
Larry E. Waldrop
Administrator
Gas Pipeline Safety

LEW/jr
Enclosures

cc: A. S. Lacy, Vice-Pres.
Alabama Gas Corporation

Enclosure to the incoming lettter dated 08/22/77
STATE OF ALABAMA
ALABAMA PUBLIC SERVICE COMMISSION
P.O. BOX 991

ALABAMA GAS CORPORATION

APPLICANT

APPLICATION: For (1) the approval of and the issuance of a certificate of convenience and necessity authorizing the purchase by the Applicant of the gas distribution system of the Waterworks, Gas and Sewer Board of the town of Rainbow City (the Board) and the assignment to the Applicant of the gas service agreement between the Board and Southern Natural Gas Company; (2) the determination by the Commission of the fair market value of such system and the approval of the transfer of the system to the Applicant for such consideration; (3) the approval of a new set of rates applicable to customers of the Applicant served by means of such gas distribution system; and (4) the granting to the Applicant of an extension of six months from the date upon which such gas distribution system is conveyed to it to bring such system into compliance with the Regulations of the Office of Pipeline Safety.

DOCKET 17428

BY THE COMMISSION:

The application of Alabama Gas Corporation (the Applicant) for (1) the issuance of a certificate of convenience and necessity authorizing the Applicant to purchase the gas distribution system (the System) of The Waterworks, Gas, and Sewer Board of the Town of Rainbow City (the Board) and the assignment to the Applicant of the gas service agreement (the Service Agreement) between the Board and Southern Natural Gas Company (Southern); (2) the determination of the fair market value of the System, and the approval of the transfer of the System to the Applicant; (3) the approval of a new set of rates applicable to customers served by means of the System; and (4) the granting to the Applicant of an extension of six months from the date the System is conveyed to the Applicant to bring the System into compliance with the Regulations of the Office of Pipeline Safety (OPS), was filed with the Commission on August 3, 1977, and was duly set down for hearing to be held August 12, 1977, and, notice of such hearing having been duly given, the Commission on August 12, 1977, heard evidence in support of the application.

1. The Applicant is a corporation duly organized under the laws of the State of Alabama and is a regulated utility within the meaning of Sec. 302 of Title 48 of the Code of Alabama of 1940. The Applicant owns plants, properties, and facilities for the transmission, delivery, and furnishing of gas in 113 municipalities and communities and in the territory adjacent thereto, in the State of Alabama.

2. The Board is a public gas corporation within the meaning of Section 1 of Act No. 1212 (Act No. 1212) adopted at the 1975 Regular Session of the Legislature of Alabama. Under the authority of the provisions of Act No. 175 (Act No. 175) adopted at the 1951 Regular Session of the Legislature of

Alabama, as amended, the Board owns and operates the System in the Town of Rainbow City (the Town) and in the territory adjacent and near thereto. The Board entered into the Service Agreement with Southern, dated August 2, 1968, under which Southern agreed to sell gas to the Board.

Under the provisions of Section 6 of said Act No. 175, title to the System will vest in the City upon the payment of the principal of and interest on all bonds of the Board payable from revenues from the System.

On August 1, 1977, the Applicant, the Board, and the Town entered into an agreement (the Purchase Agreement) under which the Applicant agreed to purchase the System and the Service Agreement. A copy of the Purchase Agreement was attached to the Application and marked "Exhibit B" thereto. The Purchase Agreement was conditioned, among other things, upon:

- (a) The issuance by the Commission of an order: (i) approving such sale; (ii) issuing to the Applicant a certificate of public convenience and necessity pursuant to the provisions of Section 332 of Title 48 of the Code of Alabama of 1940; and (iii) determining the fair market value of the System as provided in Section 2(c) of Act No. 1212;
- (b) The granting by the Town to the Applicant of a thirty-year franchise to operate the System in the Town and the police jurisdiction thereof;
- (c) The issuance by the Federal Power Commission of an order approving the assignment by the Board and the Town of the Service Agreement to the Applicant;
- (d) The agreement by Southern to an amendment of its service agreement under which it sells gas to the Applicant, so as to include therein the delivery point at which Southern is now selling gas to the Board; and
- (e) The execution by the Board and the Trustee under the Indenture executed with respect to the presently outstanding bonds of the Board of a trust agreement under which the Board will have deposited with such Trustee U. S. Government bonds in principal amount which, together with interest, if any, to be paid thereon, will be sufficient to pay the principal of and interest on such bonds when due.

On August 1, 1977, the Town Council of the Town adopted an ordinance authorizing the execution of the Purchase Agreement and consenting to the said transfer and conveyance as required by Act No. 1212; and, also on August 1, 1977, the Board of Directors of the Board adopted a resolution authorizing the execution of the Purchase Agreement.

As consideration for the sale of the System, the Applicant, in the Purchase Agreement, agreed to pay to the Board the sum of \$450,000. The System is in such physical condition that it will be necessary to rehabilitate it in order to bring the System up to the standards of the Applicant, including but not limited to the standards provided by the Regulations promulgated by OPS, and Applicant avers also that the cost of such work will be in excess of \$25,000. It will take approximately six months from the date

upon which title to the System is conveyed to it to bring the System up to the standards of the Applicant and to the standards provided by the Regulations issued by OPS.

3. If the System is purchased by the Applicant, it will purchase gas directly from Southern and operate the System, and the System will be tied in to and operate as a part of Applicant's Gadsden System. The rate schedules of the Board were attached to the Application and marked "Exhibit C" thereto. Applicant proposes, if the purchase by it of the System is consummated, to place into effect a new schedule of rates to be applicable to all customers served by means of the System and to be effective from the date of the conveyance of the System to the Applicant and during the twenty-four-month period thereafter. The Applicant, pursuant to the provisions of Section 53 of Title 48 of the Code of Alabama of 1940, filed with the Commission schedules of rates, marked "Amended Exhibit D," which it proposed to place into effect with respect to customers to be served by means of the System.

4. There is an existing and future public convenience and necessity that the Applicant purchase the System and the Service Agreement, in that: (a) Applicant will rehabilitate the System in order to bring the System up to the Standards of the Applicant and of the Regulations promulgated by OPS; (b) the rates that will be charged and the services rendered by the Applicant to customers served by means of the System will be regulated by this Commission; and (c) the delivery point of Southern through which gas is delivered to the System will, during the winter months, be grouped with a group of other delivery points in Applicant's gas service agreement with Southern, and this will afford Applicant flexibility in supplying the gas requirements of the customers served by means of the System and will give customers served by means of the System the benefit of Applicant's peak shaving plant at Gadsden.

The Commission has given full consideration to the Application, and to all of the evidence and data filed in support thereof, and is of the opinion and finds the Application to be in the public interest and it, therefore, should be and herein is approved.

IT IS THEREFORE ORDERED BY THE COMMISSION, as follows:

1. That a certificate of public convenience and necessity authorizing the Applicant to purchase the System and the Service Agreement pursuant to the provisions of the Purchase Agreement, as more fully described hereinabove, be and the same is hereby granted;

2. That the fair market value of the System is hereby determined to be \$409,000 and the transfer and conveyance of the System for consideration of not less than fair market values is hereby approved, pursuant to the provisions of Act No. 1212;

3. That, it being determined that a waiver of compliance with the Regulations of OPS is not inconsistent with gas pipeline safety, the Applicant is granted an extension of six months from the date upon which title to the System is conveyed to the Applicant, to rehabilitate the System in order to bring it into compliance with the Regulations of OPS.

Jurisdiction in this cause is hereby retained for any further order or orders as this Commission may find just and reasonable in the premises.

DONE at Montgomery, Alabama, this the 16th day of August, 1977.

ALABAMA PUBLIC SERVICE COMMISSION
(signed)

Juanita W. McDaniel, President
(signed)

Jim Zeigler, Commissioner
(signed)

C. C. Whitley, Commissioner

Enclosure to the incoming letter dated 08/22/77

ALABAMA GAS CORPORATION
BIRMINGHAM, ALABAMA

August 16, 1977

Mr. Larry E. Waldrop, Administrator
Gas Pipeline Safety
Alabama Public Service Commission
Post Office Box 991
Montgomery, Alabama 31601

Dear Larry:

At the Commission hearing on Rainbow City last Friday you requested specific information as to the steps that we feel must be taken and the time involved in bringing that system in compliance with OPS regulations. I am enclosing a listing of specific regulations to which the waiver applies, a schedule for bringing portions of the system into compliance, and the interim safety measures proposed, which are based on our preliminary investigation of the system.

Thank you for your help in this matter. If you have any questions, please give me a call.

Sincerely yours,

ALABAMA GAS CORPORATION

(signed)
A.S. Lacy

ASL:lp

Enclosure

Immediately after taking title to the gas distribution system of the Town of Rainbow City, Alabama Gas Corporation intends to begin a program to bring it into compliance with all regulations of the Office of Pipeline Safety. Alabama Gas cannot determine what interim safety measures will be required until a detailed physical inspection of the system can be conducted. Therefore, the following listing of specific regulations, to which a waiver is to apply, is based upon the best estimates and judgment of Alabama Gas Corporation following a preliminary inspection of the system. The time shown on the following schedule represents the total estimated time required to comply with the requirements of each of the listed regulations. While some of the work will be performed sequentially, much of it will be going on concurrently, and in any event all of the work required to be performed to bring the system into compliance will be completed in an elapsed time of six months or less from the date Alabama Gas Corporation takes title to the Rainbow City distribution system.

1. Sections 192.453, 192.455, 192.457, 192.467, and 192.479 - Corrosion Control
Six-month waiver requested. Interim safety measures to be taken:
All domestic and small commercial meters will be replaced as rapidly as possible, and this will isolate the electrical service lines from customers' facilities. Rainbow City has utilized the services of a corrosion consultant. A major portion of the system is purported to be under cathodic protection. This work will be reviewed and measures employed to insure compliance with Corrosion Control requirements.
2. Section 192.625 - Odorization of Gas
One-month waiver requested. An odorometer will be used the first day to determine the level of odor at various locations within the system. If the odor is not acceptable, the injection rate will be adjusted until the required level is obtained.
3. Section 192.703 - General
Three-month waiver requested. Alabama Gas Corporation will operate the distribution system and maintain it in accordance with Subpart M- Maintenance. Interim safety measures: any hazardous leaks will be repaired promptly.
4. Section 192.707 - Line Markers for Mains and Transmission Lines
Two-month waiver requested. Alabama Gas Corporation will install all line markers required by this section. Interim safety measure: install markers on most important lines first.
5. Section 192.723 - Distribution System Leakage Surveys and Procedures

One-month waiver requested. Alabama Gas Corporation will perform a complete leakage survey on all mains and services in the entire system and will fulfill all requirements of this section. Interim safety measures will consist of prompt investigation of any reported leak and prompt repair of those judged to be hazardous.

6. Section 192.747 - Valve Maintenance, Distribution Systems

Three-month waiver requested. Alabama Gas Corporation will determine the location of all critical valve installations. If they are already in place, they will be identified and checked for proper operation. If not in place, they will be installed as soon as possible. Alabama Gas Corporation will then check and service each valve, the use of which may be necessary for the safe operation of the distribution system. Interim safety measures: perform maintenance on most important valves first.